

Mclsaac C (Cathy)

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Future European Structural Funds Programmes in Lowlands & Uplands Scotland 2007-2013**RESPONDENT INFORMATION DETAILS**

Name: Pauline Crisp
Organisation: Coatbridge College
Address: Kildonan Street Coatbridge
Postcode: ML6 3LS
Email: pcrisp@coatbridge.ac.uk
Telephone Number: 01236 422316
Responding as: on behalf of a group or organisation
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Questions and Answers

1. Given that Scotland has already exceeded Lisbon targets in terms of employment rates, the ESF programme correctly identifies a series of “long term challenges” which are concerned with worklessness, “hardest to reach” groups, low skills/low wages i.e. problems related to the employability of marginalised groups in the labour market. 2. The two socio-economic exercises (ERDF & ESF programmes) are designed to serve the issues chosen to feature as the major priorities for each programme. Both socio-economic exercises therefore provide a context only for the pre-identified Priorities. Other issues in the wider Scottish economy which could well be relevant for the programme could

Question 1: Are there any additional socio-economic factors to be considered – and which Structural Funds can address – in assessing the strengths, weaknesses and opportunities of Lowlands & Uplands Scotland?

not be identified by this approach. 3. A wider socio-economic report produced for the entire programme area, in which the recorded outputs and impacts of the 2000/06 programmes would have had significant value and would have allowed a clear justification of the chosen Priorities of the new programmes. It would also have identified those aspects of the Scottish economy which were omitted from the priorities for Structural Funds support. 4. The content of the Priorities chosen does represent overall issues which have been raised in the NSRF and in the Community Strategic Guidelines. However, there are some issues which are not fully considered or given due emphasis, and which are important in the context of selecting those themes which should attract support from a programme with limited resources. 5. Productivity in the Scottish Economy: The ERDF programme appears to address productivity issues while ESF targets employability – this approach is overly simplistic. The ESF socio-economic analysis displays only intermittent awareness of the theme of productivity. The “Regional Weaknesses” section of the SWOT deals exclusively with employment rates and ignores the issue of low productivity in the Scottish economy. The employment rate issue in the SWOT analysis should have been accompanied by a consideration of the lower productivity levels in Scotland, as compared with the U.K. The Gross Value Added (GVA) per Scottish resident is 94% of the U.K. figure, with the West of Scotland achieving only 91%. The expected contribution of the programme, especially Priority 2 to the improvement in productivity is not explained. The balance between improving overall employment levels and the productivity potential of the labour force should be restored in programming terms. 6. The Deployment of ICT: is a key aspect of the knowledge economy. The Scottish Company Base in relation to e-business is not addressed. The ESF Programme does not adequately support the promotion of e-skills. ICT sits alongside enterprise, innovation, research and development and is a key element of competitiveness, which should be featured prominently in both the ERDF and ESF programmes. Of the five drivers of productivity listed in the U.K. National Reform Programme, the “effective deployment of ICTs” throughout the economy is not addressed in this ESF programme. ICT’s were responsible for 40% of productivity growth in the last decade, and the Structural Funds have a role in maintaining momentum. How Structural Funds can be deployed in this programme to enhance ICTs and related skills is not given the prominence they deserve. Scotland, in general, and the South West NUTs area in particular, suffers from an “e-competence” deficit when set against the rest of the UK and other national economies. This issue is of fundamental importance to all of the target groups identified in the paragraph dealing with “key programme challenges”. E-skills only rate a specific

	<p>mention with regard to entrepreneurship, and when higher skill levels are featured, (skills and education) “computing skills” are listed only as part of the core skills agenda. 7. The workless and “hardest to reach” groups have farther to travel to achieve job readiness and meet employer expectations. What goes into the mix to create a competitive individual in terms of employment is what really absorbs the funding, and the programme should provide clearer indications of its requirements in this area.</p>
<p><i>Question 2: Do the proposed priorities for the 2007-2013 ERDF programme in Lowlands & Uplands Scotland address the strengths, weaknesses and opportunities of the region?</i></p>	<p>1. Yes the priorities address the points raised by the SWOT but no more than that - however the SWOT does not emerge from an independent, comprehensively conducted socio economic analysis. 2. The Operating Programme (OP) does not address E-business in Scotland, particularly in the West where there appears to be weaker penetration in the company base than in the East. E-business is recognised as being fundamental to the drive to improve competitiveness and should be included in Priority 1. Additional funding could assist companies to cope with, and adjust to rapid changes in technologies and their applications. The proposed scope of Priority 1 is quite narrowly focused on business start up/survival, closely linked to innovation and research and development. Deployment of appropriate ICTs throughout the company base, a major force in the drive to improve competitiveness, sits alongside the already established priority themes, and provides the opportunity for complementary ICT related activities which will broaden the scope of Priority 1 in terms of its competitiveness impact. 3. In Priority 3, the need for diversification and the potential of “green tourism” is raised. The current state of Urban Tourism is not addressed in Priority 3 and the possibility of Structural Fund (SF) support not considered. It may be that this would be a theme with a lower priority for SF support, but the area is not examined, and its role in new business creation or company survival in the hospitality and related service industries goes by default. 4. These examples underline the limited nature of the SWOT and highlight some of the opportunities where the intervention of ERDF would be of value.</p>
	<p>1. Priorities 1 and 2 display complementarity, and therefore go some way to creating the impression that the programme coheres strategically. However the proposed establishment of a separate vertical priority on a geographical basis with generous resources ring fenced for rural areas is inappropriate and incoherent. 2. We disagree with the establishment of a separate Priority for rural areas, as the priorities for the more sparsely populated areas within the programme’s geography recommended by the Community Guidelines could have been accommodated within Priorities 1 and 2. 2. Development of infrastructure to improve accessibility (transport, telecommunications, linkages to urban areas) should more properly be addressed by</p>

Question 3: Do the proposed priorities for the 2007-2013 ERDF programme in Lowlands & Uplands Scotland show appropriate coherence and concentration?

national policies to assist areas of low population. We would instead argue in favour of a third priority focused on Sustainability – this would underpin the Business Development and Community Development activities outlined in Priorities 1 and 2. 3. Major vertical priorities should encompass the entire programme areas in which the relative needs of geographical locations, certain populations and specific target groups can be prioritised. 4. This prioritisation would include spatial targeting and the impact of other funding streams. The scope of the main Priorities has to include predominantly urban, semi-urban, semi-rural and genuinely rural agendas. The definition of predominately urban and genuinely rural will be straightforward, but a large proportion of Scotland's population and businesses are located in either semi – urban or semi-rural areas. 5. The needs of all areas should be addressed in terms of the two major Priorities. The overall framework within which the Priorities would situate their selection criteria would feature sympathetic prioritisation of projects to be funded, informed by a transparent policy and procedures for spatial targeting. The presence of Priority 3 negates the concept of spatial targeting for the whole of the programme area. 6. The concept of concentration is understood to apply to the intended focus within each priority which will make a measurable impact. In order to achieve such concentration, rigorous spatial targeting of resources must be applied. 7. Resources must be concentrated on areas and target groups where needs have been identified and resources will produce visible results. There should be no attempt to spread resources thinly in the misguided interest of fairness. 8. Areas and populations of greatest need should be supported by robust and high performing projects from the outset. 9. We would argue in favour of spatial targeting for P1. All of the major themes of Priority 1, business development, innovation, research plus E-business in the West should be addressed to initiate progress towards catching up with the rest of Scotland. Only when the needs of the West have been accorded initial priority, and monitoring and evaluation results show incontestable evidence of “catch up,” should the spatial targeting be widened to include other areas. 10. In view of the levels of prosperity in some of the LUPs larger centres (e.g. cities of Edinburgh and Aberdeen), these areas should not be considered for Structural Funds support. 11. As outlined in our response to Q2, Priority 1 should specifically incorporate an ICT dimension. If it remains focused as at present, with Scottish Enterprise having the status of IDB for an unspecified amount of the resources, Priority 1 seriously risks underspending unless there is a significant influx of new ideas and genuinely innovative approaches. 12. Although the document is upbeat on the strength of Scottish research, this is more apparent in the academic sphere than in company based research. The situation on enterprise

	<p>formation and survival has been very poor in Scotland, with the situation in the West showing figures beneath the Scottish and UK averages. Again, the programme is optimistic about the numbers of would-be entrepreneurs in Scotland. Even if true, this is irrelevant if the start-up rate continues to depend on current approaches to the problem. If this concentration on business creation from the above sources is to produce results, more innovative approaches and fresh project initiatives are required, our record of providing both core and SF resources to improve the situation up till now has proved manifestly disappointing. The Priority must also be open to project sponsors other than Scottish Enterprise. 13. Priority 2 shows both acceptable concentration on community regeneration with important synergy to ESF to tackle low skills and lack of qualifications in the population.</p>
<p><i>Question 4: Do the proposed priorities for the 2007-2013 ESF programme in Lowlands & Uplands Scotland address the strengths, weaknesses and opportunities of the region?</i></p>	<p>1. The SWOT analysis for the ESF programme concentrates on the employment side of the Scottish economy, a parallel presentation of the productivity levels in the Scottish Economy would have provided clear indications as the seriousness of the competitiveness gap between Lowland Scotland and the UK overall. 2. This more comprehensive analysis would have provided valuable guidance as to the activities required to improve low skills levels, reduce the gender gap and enhance the knowledge economy. 3. The description of target groups and eligible activity covers every category, employed, unemployed and redeploying with no indication of their relative priority in funding terms. Given the significant reduction in funding there is a requirement for clear guidance in terms of priority target groups and eligible activities. 4. Priority 2 describes the situation with regard to low wages and low skills, and presents a wide range of weaknesses and problem areas which would require funding support. But solutions are suggested with little or no relation to the realities of providing training for the low skilled in employment, or how to tackle the ever present problem of skills gaps.</p>
	<p>1. The ESF priorities display both coherence and concentration. 2. Priority 1 shows very focused concentration on an exhaustive list of target groups lacking qualifications. The continuing presence of these marginalised groups in large numbers, displaying such a depth of need is clearly unfinished business for ESF. 3. Given that there will also be central government funding, plus resources from DWP schemes targeted on worklessness, some further work is required to target the reduced funding from Priority 1 on project sponsors who can demonstrate that all resources are being appropriately managed and added value secured. 4. Concentration should be achieved by targeting resources on areas of multiple deprivation. Whilst it is essential to home in on deprivation, experience from past programmes indicates that over concentrated geographical targeting can lead to problems of</p>

Question 5: Do the proposed priorities for the 2007-2013 ESF programme in Lowlands & Uplands Scotland show appropriate coherence and concentration?

recruitment/retention and successful spin-out into the jobs market. 5. Individuals who have to surmount multiple barriers do require lateral, peer group support, the example of role models etc, which can all be facilitated if the targeting is widened somewhat into adjacent communities. 6. Priority 2 is of necessity less concentrated, as a wide range of people, employed, unemployed and re-deploying are covered by the low skills definition. 7. The low skills group in the West will require consistent support throughout the life of the programme, as the upskilling of this group is essential to meet the replacement demand in the West of Scotland economy, estimated at 500,000 jobs over the next ten years. The step-up across the economy from low to intermediate skills levels is more important than intermediate to higher level skills. 8. Priority 3 is by nature of the activities and target groups to be engaged in Lifelong Learning broad in scope, and the adoption of a comprehensive and inclusive approach is required. This is achieved by the Priority.

Question 6: What are your views on the proposed balance of funding between priorities for the future ERDF programme in Lowlands & Uplands Scotland?

Balance of funding between ERDF Priorities proposed by the programme Enterprise Growth 48% Community Regeneration 29% Rural Development 23% 1. Some more detail on the programme's thinking about the relative weight of the different Priorities in Lisbon earmarking terms would have been helpful. 2. Priority 1 as it stands is highly concentrated thematically, and unless there is a significant improvement of Scotland's record up till now in this area, the Priority risks underperforming. We would support an allocation of 43% with a requirement for innovation. 3. Priority 2 is equally as important as P1 as the aim is to regenerate communities through the establishment of a wealth creation dimension within them, with the additional objective of encouraging start-up, higher level skills acquisition in the population and overall improvement in local amenity and prosperity. We would support an allocation of 42% to ensure sufficient Lisbon content can be delivered to meet the overall target. 4. Priority 3, absorbing 23% of the fund on a ring-fenced basis, plus unspecified access to Priority 1 for rural business development, is hugely over-resourced, in view of the population involved relative to the post-industrial LUPs areas manifesting a depth of need for regeneration. Priority 3 as currently presented, should be capped at 15% unless our preferred option detailed below is put in place. 5. We recommend a review of the balance of funding to reflect our comments o Enterprise Growth 43% o Community Regeneration 42% o Rural Development 15% 6. As outlined in our response to Q3 we would seek to replace the rural Priority with a new Priority for sustainability, with the regeneration activities of the present Rural Priority moving under Priorities 1 and 2 7. If this proposal were to be seriously considered, the proposed allocation would be:- o Enterprise Growth 35% o Community Regeneration 35% o Sustainability 30% 8. The new Priority would be

	<p>applied across the entire LUPs area, thus addressing the sustainability agenda of both post-industrial and rural areas. Such a Priority would contribute significantly to the 75% Lisbon target.</p>
<p>Question 7: What are your views on the proposed balance of funding between priorities for the future ESF programme in Lowlands & Uplands Scotland?</p>	<p>Balance of funding between ESF Priorities proposed by the programme Priority 1 Progressing into Employment 43% Priority 2 Progressing through Employment 35% Priority 3 Access to Lifelong Learning 22% 1. Priority 1 has the most socially responsible agenda, and must accommodate spatial targeting, which may be adjusted through the programme's life span, it should receive the largest share, recommended at 43%, which would release resources to synergise with Priority 2 ERDF. 2. Priority 2 broadly covers the productivity (low skills) theme, and must link with the business creation/survival agenda of Priority 1 ERDF, we would support an allocation of 32%. 3. Priority 3 the post school learning infrastructure must continue to innovate, improve and modernise its services. Access to learning must be facilitated for all age groups. Unless these issues are being continuously addressed, and supported by additional funds, the capacity to achieve outputs under Priorities 1 and 2 will be weakened. At only 50% of Priority 1, the activities of this Priority appear to be undervalued 4. Priority 3 also seeks to bring public sector support closer to SMEs/employees, traditionally a difficult area of engagement. It also seeks to involve the social partners whose absence as players has been a weakness in previous Scottish programmes. 5. However we recognise that the need to show effective synergies with ERDF priorities in ESF Priorities 1 and 2, reduces scope to secure more resources for Priority 3 and would therefore recommend a slight increase to 25%. We recommend a review of the balance of funding to reflect our comments o Priority 1 Progressing into Employment 43% o Priority 2 Progressing through Employment 32% o Priority 3 Access to Lifelong Learning 25%</p>
<p><i>Question 8: Do the proposed priorities outlined in the draft Operational Programmes focus sufficiently on the right priorities in Scottish domestic policy?</i></p>	<p>1. What is being proposed by the programmes does reflect social and economic policies put in place by the Scottish Executive, therefore "strategic fit" is assured. 2. As a result of the reduction of resources in the Programmes, and the need to allocate Scottish resources wisely, the real issues with 2007/13 programmes will be match funding and delivery arrangements. 3. Strategic synergy has been visibly achieved between the aims and objectives at the EU and Scottish levels.</p>
	<p>1. Reference to the Strategic Environmental Assessment (SEA) in the context of Priority 1, will address embedding environmental awareness and practices in new businesses, as initially suggested, but will also tackle the "greening of businesses through improved resource efficiency." 2. All this is very desirable and most welcome, but where are the resources to take the horizontal theme this distance, will there be free-</p>

Question 9: What are your views on how the principle of environmental sustainability has been integrated into the Operational Programmes?

standing projects? 3. The SEA states the Priority 1 will promote “the development of a thriving new energy sector that would bring together economic development and climate change goals.” We would argue that this seems ambitious in light of the reduced funding available and the wider aims of the Operational Programme. 4. We would argue the SEA overstates the activities envisaged in Priority 1, where funding issues and the presence of an IDB have to be considered in relation to the horizontal theme. 5. The extent to which the horizontal theme will be applied, in Priority 1 and what its priority activities will be in the context of the funds available needs to be clarified, and more work needs to be done with the SEA to inject a measure of realism into the assessment. 6. The application of the theme of environmental sustainability is not addressed specifically in Priority 2 Community Regeneration, apart from a few occasional references to “sustainable economic growth” with implied activities possibly similar to those envisaged in Priority 1. 7. In Priority 2, the vast majority of communities suffering from multiple deprivation are also afflicted by poor amenity affecting the quality of life. There is a serious environmental improvement agenda in these areas, which must be tackled in tandem with involving companies and more jobs and new skill. 8. The SEA suggests the horizontal theme will have little relevance in Priority 2. The choice of brownfield sites and the application of environmental building standards for small infrastructure developments is anodyne, as it “raising environmental awareness”. 9. In Priority 3, environmental sustainability no longer has the status of a horizontal theme, it has moved centre stage within the Priority. 10. For Priority 3, the importance of the environment is paramount, and its prominence in the Priority is entirely appropriate. But the application of the theme in Priority 2 is virtually non-existent, and in Priority 1, its relevance is undermined by confusion and lack of clarity. 11. We would argue that the importance of the environment and the need to embed sustainability in the economy is equally paramount for post-industrial Scotland. This is not reflected in the OP. 12. Environmental issues are accorded due importance as a result of Kyoto and continued media exposure. Sustainability is a concept perhaps less well understood by the general public, but gaining acceptance. The publication of the STERNE report has underlined that action needs to be taken to protect the environment and embed sustainable principles in the economy. 13. For Priority 1, the environmental/sustainability credentials of our economy require some serious attention, and the theme should be accorded funding and remit to make real improvements. 14. In conclusion, the opportunity to feature environmental sustainability evenly across all the Priorities, and in a way which vindicates the relevance of the theme appropriately for the different locations and populations of the programme area must

not be missed.

Question 10: What are your views on how the principle of equal opportunities has been integrated into the Operational Programmes

1. We welcome the continuation of equal opportunities as a horizontal theme. Structural Funds have provided the catalyst for extensive development of this area in Scotland, which have been embraced by the new devolved Scottish Parliament as a core principle. 2. For the 2007-13 Programme, therefore, it is appropriate that Scotland looks to build upon the progress that has been made and seeks to challenge itself still further. 3. We would argue this programme should seek to expand upon the horizontal themes of equal opportunities and sustainability by introducing Corporate Social Responsibility as a horizontal theme. 4. Corporate Social Responsibility (CSR) is a concept whereby organisations integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. It is about enterprises deciding to go beyond minimum legal requirements in order to address societal needs. Through CSR, enterprises can help to reconcile economic, social and environmental ambitions. 5. The introduction of CSR as a horizontal theme would demonstrate a maturity of programming in Scotland and offer reassurance that Structural Funds are being correctly targeted to enhance new EU aims and initiatives. 6. The concept of equal opportunities at the EU level is predominantly concerned with gender imbalance. The main challenges within Scotland now are concerned with the wider issues of social inequality. The adoption of CSR as a horizontal theme would be the logical development, supported by the socio economic analysis. Further, the promotion of CSR would be considered to fit with the 75% Lisbon earmarking – and therefore any initiatives making a positive contribution towards CSR could be counted towards that requirement. 7. CSR is the logical next step in the development of the themes of Equal Opportunities and Sustainability. 8. The socio economic conditions set out in the ESF Programme Draft highlights that unemployment in Scotland is now mainly focused on those groups who are furthest removed from the labour market – such as those on incapacity benefit, the disabled, those with care responsibilities, ex-offenders and so on. This issue is further exacerbated by the fact that these individuals will often be competing for vacancies with high skilled individuals from other EU member states. We need to recognise that in order to improve employment amongst those target groups which are outlined in ESF Priority 1, there is also a requirement to encourage businesses to play a part by providing employment opportunities that will contribute towards social development and minimise exclusion. 9. CSR would also encourage companies to invest in skills development, lifelong learning and employability, which are needed to remain competitive in the global knowledge economy. 10. Within this programme, we should encourage all

	<p>applicants to consider having a Corporate Social Responsibility policy and to increase awareness of the issue within their organisations. We should encourage and reward initiatives which positively contribute towards CSR. 11. Increasing awareness of CSR should be a core requirement for all Business Development projects – providing a genuine added value element of the core Scottish Enterprise function.</p>
<p>Question 11: What are your views on how the Operational Programmes will ensure complementarity between Structural Funds and other EU funding streams?</p>	<p>1. The reduction of resources in the Structural Funds means that the existence and intended functions of other EC sourced funding streams should be examined in order that such streams can be accessed by those project sponsors whose experience has been limited for the most part to the major Objectives of the Structural Funds. 2. We would support awareness raising and dissemination of information which will enable project sponsors to extend their reach, and apply their expertise to new funding opportunities. 3. Making such funding streams and opportunities known is not only a responsibility of the Managing Authority. The new IABs should be in a position to advise, and support administratively applicant organisations in the quest for lateral/support funding. 4. IDBs must also be encouraged to synergise with other funding streams including but not limited to: o ERDF/ESF o Territorial Co-operation o European Investment Bank o Globalisation Adjustment Fund o 7th Framework Programme (FP7) o Lifelong Learning Programme 5. Other events and initiatives sponsored by the E.U. will occur during the life of the programme 6. A series of information and awareness raising events should be arranged by the Managing Authority in order that sponsoring organisations across the LUPs area can maximize every available opportunity.</p>
<p><i>Question 12: How can the challenge-fund approach be improved to make it more effective in delivering outcomes and more efficient in operation?</i></p>	<p>1. With less money in the new programme, and spatial targeting to be accommodated in ESF Priority 1, the aim must be to achieve more flexibility in releasing the funds. 2. For ESF Priorities 1 and 2, more frequent application rounds should be offered. In 2000/2006 Objective 2 West managed 3 per calendar year, the feasibility of 3 or 4 rounds per year rounds should be explored. 3. We would support a “rolling programme” arrangement for ESF Priority 3. 4. The appraisal process should be speeded up. The gap between project submission and approval letter must be reduced. 5. Peer group appraisal through Advisory Groups should be maintained, but the process could be streamlined. 6. The outcomes issue can be addressed by more frequent monitoring of projects, and more clear and standardised reporting linked to the claims cycle. 7. The efficiency of any challenge-fund system includes the issue of claims, and how the claims process is to be managed. The roles of the IAB and the Managing Authority in the claims process must be made absolutely clear. 8. Assuming that there will be some capacity for the challenge-fund approach in all Priorities at some point, we would</p>

	<p>support separate timetables for the 15% (approx) reserved for capital ERDF, and the 85% for revenue projects. 9. Bids for capital projects could be invited and processed in a similar fashion to the PME arrangements in the 2000/06 programme. 10. Revenue ERDF projects should be handled on a similar basis to that set out above for ESF, i.e. application rounds arranged as frequently as possible, (3 or possibly 4 times a year), and processed as speedily as possible.</p>
<p>Question 13: What would be the most effective approach to using Community Planning Partnerships and other local partnerships for the delivery of elements of the programmes?</p>	<p>1. The CPPs will be addressing a range of issues to which they will be allocating their core resources. As always, the Structural Funds are additional and must respond to the aims and objectives of the Programme. 2. It is therefore recommended that, as part of their strategic planning process, each CPP should produce separate strategies demonstrating why, and how the CPP will engage with the Structural Funds. 3. The Managing Authority, the IAB, and other local partnerships with an interest in the area should be collectively engaged with the CPP in the elaboration of its Structural Funds strategy. In this way, local concerns and priorities, issues of spatial targeting can be aligned to the Programme's aims and objectives with a view to achieving appropriate outputs. 4. Other local partnerships and networks vary in scope and capacity to achieve outputs. But a similar approach from the MA is recommended, i.e. through the IAB, local partnerships will produce a Structural Funds strategy statement which will provide a framework for subsequent applications. 5. The establishment of the CPPs, supported by their Core Regeneration Grants (CRG) does provide, in theory, an appropriate framework to match core budgets and the Structural Funds in a very focused way. CPPs must operate inclusively, and if this can be achieved, attention of all stakeholders could be concentrated on outputs which are overdue in the communities concerned.</p>
	<p>1. From the programme documentation it is very clear which geographical locations must be prioritised for funding. The majority of the most urgent cases are in Glasgow and surrounding areas, so the investments should be made predominately in the Glasgow area, which should also be prioritised in terms of timescale. 2. The Scottish Indices of Multiple Deprivation (SIMD) rationale and statistics will continue to be published throughout the programme and should be used as a guide for ERDF investment strategies in Priority 2. 3. It is apparently too soon to enter into detail of how spatial targeting will be taken forward but some outline indications as to how it would be handled would have been welcome. 4. In the event of IDB status being granted to CPPs, (on whatever basis, pilot or otherwise) the CPP will have to demonstrate in its planning for the deployment of its CRG, plus access to Structural Funds, the extent to which it can tackle the issues described in the SIMD, and featured in the Priority. The same would</p>

Question 14: What are your views on spatial targeting for community regeneration under ERDF Priority 2 and ESF Priority 1?

apply to all local partnerships seeking to serve deprived areas under challenge funding arrangements. 5. The proactive involvement of the Managing Authority in supervising the prioritisation of areas and relating proposed project activity to the financial tables is paramount, as there are considerations apart from the SIMD to be taken into account e.g. quality of projects proposed, capacity and track record of delivery organisations, balance and coherence of partnerships etc. 6. The Labour Market in these deprived areas displays the problems and fault lines represented by worklessness as a tradition and the inability of individuals to “break out” by securing employment elsewhere. 7. The spatial targeting for ESF must therefore be more flexible in geographical terms, and include SMEs in more prosperous areas, (as current and prospective employers) and residents of adjacent communities. Geographical targeting which is too narrowly based on strict post-coding can be counter productive, and whilst residents of deprived areas should still constitute the main target, the focus should be widened somewhat to facilitate “break out”. 8. As the programmes move into gear, further discussion and planning, led by the Managing Authority should clarify how spatial targeting will operate in the initial, and subsequent stages of development in both ERDF Priority 2 and ESF priority 1. 9. Spatial targeting should not be restricted to ERDF Priorities 2 and 3, and to ESF Priority 1. 10. Reference is therefore made to response to Question 3 on the coherence and concentration of the ERDF programme, in which the assertion was made that the West/South NUTs area must be prioritised for business development funding.

Question 15: What are your views on spatial targeting for rural development under ERDF Priority 3?

1. The Priorities of both the ERDF and ESF programmes should apply to the entire programme area, with a well prepared system of Spatial Targeting to be devised to cope with local disparities and unevenness of growth potential. 2. Within such a framework, rural issues would certainly find their place, as a programmes levels system of spatial targeting would be devised for all Priorities, resulting in a prioritisation of needs within and across the Priorities. 3. As well as specifying a clearly identified set of aims and exemplary activities, SPATIAL TARGETING would ensure balance and co-ordination of project activities for the entire programme area. 4. As the programme currently stands, Priority 3 provides for a geographically defined separation of rural issues, with ring-fenced funding, plus the facility for aspects of rural business development to attract funding from Priority 1. 5. The text of Priority 3 quotes the advice of the Community Support Guidelines with regard to spatially identified needs... “member states and regions are advised to pay particular attention to those specific needs in order to prevent uneven regional development from hampering growth potential.” This Guideline is equally relevant for Priority 1, and the programme should demonstrate consistency in its

approach.

Question 16: Do you have any additional comments on the draft Structural Funds Operational Programmes for Lowlands & Uplands Scotland?

1. The Programmes' structure would have benefited from an overview of the entire area's socio-economic needs. 2. A "bottom up" approach may have facilitated a consensus amongst stakeholders, and a matching up of the needs of the region in terms of competitiveness to both E.U. and national strategies. 3. The decision to award IDB status to Scottish Enterprise in ERDF Priority 1 raises concern. Business start-up and survival rates have remained stagnant in Scotland over such a long period that this Priority requires to be opened up for competition. Innovative approaches by new partnerships must be encouraged. It is indisputable that Scottish Enterprise would be a major player, but involvement of organisations out with the enterprise network is essential to bring new ideas and approaches to this Priority. How universities and research organisations are to be engaged in the programme, and links established with SMEs is another concern. Although only a proportion of the Priority's funding will be directly transferred to the IDB, the amounts involved, and the areas of the Priority which will be affected have to be made transparent. 4. The decision not to have spatial targeting in Priority 1 is puzzling. Already prosperous areas have a more developed culture and display more activity in terms of business development. The resources of this Priority should be targeted on less well performing areas which need to "catch up" with the Scottish and U.K. performance levels. 5. In ERDF, we support the intention to target spatially and to pilot CPPs as IDBs. The only doubtful factor is the lack of Structural Funds experience on the part of the new CPPs, which will have a tough agenda progressing their core remits. 6. A review of the CPP pilot exercise is indicated for mid-programme. We believe this is too late, and if the CPPs and their partnerships are functioning well, the IDB status could be rolled out more quickly, or indeed abandoned if the experience is proving problematic.

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