The Impact of Structural Funds Programmes in Scotland 1994-2006

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July 2007

European Policy Research Paper

Number 60

Published by:

European Policies Research Centre
University of Strathclyde
40 George Street
Glasgow G1 1QE
United Kingdom

ISBN: 1-871130-66-2

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PREFACE

This report was prepared for the Scottish Parliament Enterprise & Culture Committee with the aim of examining the impacts of the EU co-financed Structural Funds programmes in Scotland in the period 1994-2006. It was drafted by Dr Sara Davies, Professor John Bachtler, Frederike Gross, Tobias Gross, Rona Michie, Heidi Vironen and Professor Douglas Yuill. The paper relies mainly on existing evaluations and studies of the Structural Funds programmes, as well as annual reports, although these sources are supplemented by a limited number of interviews with the Programme Management Executives and selected projects.

The EPRC research team would like to thank the following people for their cooperation in researching and drafting this study: Alan Boyle, Darren Burns, Gillian Campbell, Marian Gardiner, Lorna Gregson-MacLeod, Anne Houston, Cameron Kemp, Sallyann Low, Fiona Loynd, Donald MacKinnon, Gordon McLaren, Sam McNaughton, Gordon Mann, Christine Mulligan and Susan Tamburrini. Helpful comments on an earlier version of the report were provided by Billy McLaren and Nigel Lindsay of the Scottish Executive. The team are also grateful to the Scottish Parliament officials who provided advice and support to the project: Iain McIver, Stephen Herbert, Nick Hawthorne and Simon Wakefield.

European Policies Research Centre
Glasgow, July 2007

THE IMPACT OF STRUCTURAL FUNDS PROGRAMMES IN SCOTLAND, 1994-2006

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EXECUTIVE SUMMARY

The aim of this study was to examine the operation and impacts of the main European Structural Funds programmes (excluding Community Initiatives) in Scotland in the period 1994-2006. The specific objectives were: to assess the overall effects of the 1994-99 and 2000-06 programmes; (b) to provide detailed analyses of a small number of Structural Funds projects; and (c) to identify examples of good practice and value-for-money.

Funding and implementation

Scotland received significant amounts of finance from the EU Structural Funds in 1994-2006, amounting to around €2.3 billion (at 2006 prices). This funding is small compared to Scotland's total GDP and total public spending, but accounts for a relatively large percentage of total public resources dedicated to socio-economic development.

Although there are extensive EU rules on the administration of Structural Funds resources, domestic authorities have a certain leeway to create implementation and delivery systems which fit their own circumstances. Different Member States and regional authorities take varied approaches, depending on their institutional frameworks and political preferences. Along with the need to ensure coherence with domestic systems, studies suggest that the most important factors in determining the performance of Structural Funds delivery systems include: the definition of roles and processes; relations between partners; the transparency of application and decision-making processes; and the quality of human resources for project implementation and monitoring.

Distinctive features of the Scottish implementation system in 1994-2006 include: the 'challenge fund' approach to resource allocation; the delegation of programme implementation tasks to quasi-autonomous agencies; the methods used for financing programme management and implementation; the numbers and types of beneficiary; and the strong emphasis on broad-based partnership.

The effects of Scotland's Structural Funds programmes in 1994-2006

Extensive efforts have been made throughout the EU to develop systems and methods for assessing the impact of Cohesion policy funding. Macroeconomic models are used in Member States where EU funding is very large (e.g. 3-4 percent of GDP). In the rest of the EU, including Scotland, the main emphasis is on monitoring the outputs and results of funding, and on evaluating effects through the use of case studies.

There are, however, some limits on information from monitoring systems and evaluations. In the 1994-99 period, monitoring systems in Scotland (in common with the rest of the EU) had distinct limitations, not least in terms of target-setting and data collection, leading to weaknesses in the availability and quality of monitoring data. In addition, the ex post evaluation for the UK's Objective 1 programmes in 1994-99 did not include the Highlands & Islands as a case study, and thus provides only limited information on its performance.

In the 2000-06 period, Scotland's monitoring systems were improved, with the same core set of indicators and units of measurement used across all programmes. However, most programmes will not finish until the end of 2008, so that monitoring data are incomplete. The ex post evaluations for 2000-06 will not be finished until the end of 2009.

While caution is needed in the use of monitoring data, particularly for the 1994-99 period, quantitative information show a number of positive effects, including:

- assistance for businesses, via the provision of both funding and advisory/technical services (estimated at around 81,000 firms in 1994-99, and around 72,700 firms by the end of 2005 in the 2000-06 period);

- contributions to the creation and safeguarding of gross jobs, estimated at around 114,300 in 1994-99 (jobs created and safeguarded), and around 60,300 (jobs created only) by the end of 2005 for the 2000-06 period; and

- support for the creation of net jobs, estimated between 27,600 and 29,900 by the end of 2005 for the 2000-06 period.

The difference between 'gross' and 'net' jobs is that the latter figures aim to take account of (negative) deadweight, displacement and substitution effects, as well as (positive) multiplier effects. Although net job figures are estimates, they are likely to provide a more realistic assessment of employment effects than do gross figures.

However, quantitative data do not provide a comprehensive picture of the effects of Structural Funds programmes. In particular, these programmes aim to encourage long-term structural change, so that their full effects on, for example, job creation or business productivity may not be evident within the lifetime of the programmes.

Evaluations and studies of Structural Funds programmes in Scotland find a number of positive qualitative impacts, notably:

- multi-annual earmarking of development funding for specific locations, social groups and types of intervention;

- as a consequence, in certain locations and policy-fields, the funding of more projects and larger projects, and more rapid completion of projects;

- the levering-in of additional finance from other external sources;

- the encouragement of new project ideas or better project quality, through EU rules, approaches and exchange of experience; and

- improvements in the strategic orientation, efficiency and openness to new ideas of programme partners and project holders.

Evaluations also note some negative effects, especially the additional bureaucracy and complexity of the Structural Funds approach when compared with domestic programmes. Problematic procedures include: project applications and appraisal; project claims and payment processes; monitoring requirements; delays in payments; eligibility constraints on projects or final beneficiaries; and the implementation of horizontal themes.

From an international perspective, EU-level studies on the economic impact of Structural Funds programmes in Member States with the highest per capita allocations (Greece, Spain, Ireland and Portugal in 1994-2006) generally find positive effects on overall income levels. However, impact depends on factors such as the degree of openness to external trade and investment; the extent of supportive macroeconomic policies and institutional frameworks; and the efficient implementation of a coherent and well-designed Cohesion policy strategy.

There is also evidence of positive microeconomic impacts in smaller Objective 1 regions, as well as under other Objectives, although the data in these cases are usually more limited and there is stronger reliance on qualitative case study evidence.

International studies suggest that the Structural Funds programmes have played important roles in: providing additional resources for economic development; giving a profile to 'Europe'; promoting strategic thinking; and encouraging partnership and accountability.

The impact of selected 'good practice' projects

The projects selected for this study provide evidence of the breadth of interventions under Structural Funds programmes and of the diverse ways in which they contribute to Scotland's socio-economic development. The five projects or sets of projects are:

- Highlands & Islands: The Small Isles and Inverie Ferry Service;
- East of Scotland: The Scottish Co-Investment Fund and the Sigma Innovation Fund;
- South of Scotland: Regeneration of the Crichton Estate, Dumfries;
- Western Scotland: The Atrium Business Centre, Coatbridge; and
- Objective 3: The Quest for Employment Initiative, West Fife.

Each project has contributed to the economic development of a specific area of Scotland. The projects have had immediate effects in terms of the provision of better transport and communications links, premises for firms, funding for technology-oriented start-ups, and packages of support for unemployed young people.

In addition, the projects have brought longer-term benefits e.g. by:

- acting as catalysts for broader development in their area, providing the basis for further private and public sector activities (Small Isles and Inverie Ferry Service, Coatbridge's Atrium Business Centre, and the Crichton Estate in Dumfries);
- changing the attitudes of individuals and groups, whether the mutual perceptions of small firms and private investors (East of Scotland's risk capital funds), or the views of young unemployed people of work and education, and the attitudes of employers towards such young people (West Fife's Quest for Employment);
- achieving structural changes in the quality of life of individuals and communities (Small Isles and Inverie Ferry Service);

- providing long-term resources for their areas, whether in terms of infrastructure (Small Isles and Inverie Ferry Service, Coatbridge's Atrium Business Centre, and the Crichton Estate in Dumfries), ongoing funding for new businesses (East of Scotland's risk capital funds) or productive workers (West Fife's Quest for Employment).

Without Structural Funds resources, some of these projects would not have gone ahead at all (Coatbridge's Atrium Business Centre, West Fife's Quest for Employment Initiative, East of Scotland's Sigma Innovation Fund, and possibly the Small Isles and Inverie Ferry Service). The remaining projects could have received some funding without EU support but would have proceeded at a smaller scale, at lower quality and sometimes at a later point in time.

All of these projects are seen to have levered in additional funding from other public sources and private sector investors. Project sponsors and programme partners state that other funders were willing only to provide limited resources, due to perceptions of the risky character of the projects, notably the combination of high costs and uncertain profitability.

The case studies are representative in terms of the themes financed, the geographical areas covered, and the target groups addressed. However, the study focuses on relatively large projects, with the aim of exploring systemic effects on economic development and drawing broader lessons. However, the programmes also finance many smaller projects, which are often worthwhile, although the effects of each project are more limited.

It is difficult for this study to assess whether the case studies are typical in terms of their impact or added value because it focuses only on a very small sample of projects. However, evaluations provide examples of other 'good practice' projects. It should also be noted that issues of added value apply, not only at project level, but also in relation to the aggregate allocation of public spending for regional economic development.

A number of broader lessons may be drawn from the case study projects for Structural Funds programmes in general, notably the importance of:

- both leadership and partnership, as well as a commitment among partners to regenerating local/regional economies;
- strategic planning, notably the identification of bottlenecks to development, and the creation of appropriate solutions;
- a focus on longer-term effects, including follow-up public or private projects;
- managed risk-taking, particularly for business-oriented projects;
- effective financial planning and concern for value for money, while also taking into account the specific challenges facing structurally weak localities/regions;
- linking different interventions and funding sources to maximise effects; and
- complementing domestic policy frameworks, and addressing domestic policy gaps.

THE IMPACT OF STRUCTURAL FUNDS PROGRAMMES IN SCOTLAND, 1994-2006

1. INTRODUCTION

This study examines the operation and effects of the main European Structural Funds programmes in Scotland in the period 1994-2006. It looks at funding allocations; management and implementation structures; programme performance; and the effects of a number of individual projects throughout Scotland.

First, the report provides an overview of the amounts of EU funding allocated to Scotland, which comprised a significant percentage of economic development support in the period in question, but only a very limited proportion of total public expenditure. There follows an assessment of the management and implementation mechanisms used to administer these funds, drawing in particular on a comparison of Scottish systems and procedures with the widely varying approaches taken by other EU Member States and regions.

Second, the report analyses the performance of the Scottish Structural Funds programmes, drawing primarily on existing evaluations and studies. EU regulations stipulate that all Structural Funds programmes must be subject to a series of evaluation studies: ex ante evaluations are undertaken as part of the process of preparing a new programme; mid-term or interim evaluations are undertaken at the programme's mid-point; and ex post evaluations are undertaken after the programme has been completed. In addition, the 2000-06 period introduced an obligatory update to the mid-term evaluation, to be undertaken by December 2005 (while the mid-term evaluation had to be completed by December 2003). Scottish authorities have also often undertaken supplementary final evaluations for domestic purposes.

Moreover, the performance of the Scottish programmes is compared with that of programmes in other EU Member States and regions. This comparison draws on the results of European Commission evaluations, national evaluation data for other Member States, and previous research on the effects of Structural Funds programmes across the EU.

Lastly, the report focuses on a single case study project (or set of projects) in each of the five programme-types, namely the Highlands & Islands, the East of Scotland, the South of Scotland, Western Scotland, and Objective 3 (labour market interventions). A quantitative assessment of each project is provided, drawing on monitoring and evaluation information. In addition, the broader socio-economic, strategic or policy effects of the selected projects are also examined, drawing on interviews with staff in Programme Management Executives and representatives of other relevant organisations.

2. THE DELIVERY OF STRUCTURAL FUNDS IN SCOTLAND

2.1 Introduction

Scotland has been a major recipient of EU Structural Funds resources since the creation of the European Regional Development Fund (ERDF) in 1975. It was one of the first beneficiaries of the programme approach first introduced in 1984, and, since the reform of the Structural Funds in 1988, has received major allocations in the 1989-93, 1994-99 and 2000-06 programming periods. As the volume of funding increased in the early 1990s, the authorities in Scotland put in place distinctive arrangements for managing and delivering the programmes, using 'programme management executives' to allocate the funding on a competitive basis.

This section provides an overview of the frameworks for delivering and spending Structural Funds resources in Scotland in 1994-2006, a review of EU financial allocations, and an assessment of the appropriateness of these frameworks for ensuring that funds reached the best projects. It also includes a comparison of Scotland's frameworks and practices with those of selected European countries/regions, with the aim of assessing the appropriateness and effectiveness of Scotland's delivery and funding mechanisms relative to those of other parts of the EU.

2.2 Financial allocations in 1994-2006

Scotland received significant resources from the EU Structural Funds in the period 1994-2006, with the entire country benefiting to varying degrees. It is difficult to provide a precise quantification of the amount of funding because not all funding allocated may actually have been spent, certainly in the 1994-99 period. Also in the UK (and in all Member States in 1994-99), a degree of uncertainty over the precise amounts of funding in domestic currencies is generated by exchange rate fluctuations. Lastly, funding has flowed to Scotland through a complex array of different EU objectives, programmes and Funds – the ERDF, European Social Fund (ESF), European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG) (see Table 2.1).

Table 2.1: The priority objectives of the Structural Funds

Objectives	1994-1999	2000-2006	Funds
1	development and adjustment of lagging regions	development and adjustment of lagging regions	ERDF, ESF, EAGGF, FIFG
2	converting regions seriously affected by industrial decline	economic and social conversion of areas facing structural difficulties	ERDF, ESF
3	Integration of persons excluded from the labour market	adaptation and modernisation of policies and systems of education, training & employment	ESF
4	adaptation of persons excluded from the labour market	*Integrated into Objective 3*	ESF
5(a)	adjustment of agricultural structures	adjustment of agricultural structures	EAGGF: Guarantee section
5(b)	development of rural areas	*Integrated into Objective 2*	EAGGF: Guidance section

Note: Objective 5(a) comprises support for farmers under the Common Agricultural Policy.

Source: EPRC.

On the basis of the programme allocations, Scotland received c.£2.3 billion or €3.4 billion (at 2006 prices) of EU funding in 1994-2006 for the mainstream Structural Funds programmes[1](see Table 2.2). An estimated £0.13 billion or €0.2 billion was also received under various specialised 'Community Initiatives' such as LEADER (rural communities), RECHAR and RESIDER (restructuring of coal and steel areas) and EQUAL (gender equality).

Table 2.2: Funding allocations under Scotland's Structural Funds programmes, 1994-99 and 2000-06

	Funding allocations million euro/ecu	
	1994-99	**2000-06**
Highlands & Islands		
Objective 1	324	
Objective 1 Transitional		318
Eastern Scotland		
Objective 2 (1994-96)	118	
Objective 2 (1997-99)	131	
Objective 5b (North-West Grampian)	39	
Objective 5b (Rural Stirling/Upland Tayside)	25	
Objective 2		262
South of Scotland		
Objective 5b (Dumfries & Galloway)	48	
Objective 5b (Borders)	30	
Objective 2		76
Western Scotland		
Objective 2 (1994-96)	286	
Objective 2 (1997-99)	306	
Objective 2		504
Objective 3		
Objective 3 (1997-99)	94	
Objective 3 (2000-06)		514
Objective 4 (1994-99)	14	
Total	1,401	1,674

Notes: (a) Figures show EU allocations only, excluding public and private match funding. (b) Objective 3 figures for 1994-99 are estimated from UK sterling data. (c) Data for 1994-99 are in 1994 prices (with figures for the two 1997-99 Objective 2 programmes converted from 1997 prices) and data for 2000-06 are at current prices. (d) Objective 4 data are final claim data.

Source: EPRC calculations based on programming documents.

The amount of EU funding is small compared to total identifiable public expenditure in Scotland (around 0.4 percent in 2000-06)[2] and total GVA (around 0.2 percent in 2000-06). Similarly, Structural Funds resources are dwarfed by the total expenditure of the Scottish Office/Executive; in 2000-06, Scottish Executive funding stood at c.£160 billion (in 2006 prices), compared with Structural Funds resources of c.£1.1 billion. However, EU resources

[1] Sterling figures are obtained by converted data from euros at the ECB's published exchange rate for 29 December 2006, of one euro = 0.6715 sterling.

[2] EPRC's own calculations, drawing on HM Treasury (2006) *Public Expenditure Statistical Analyses (PESA) 2006* Cm6911, HMSO, London, and the Office for National Statistics' *Regional Accounts*, Economic Trends, London.

represent a relatively large proportion of the total public expenditure which is dedicated to socio-economic development, accounting for around 11 percent of identifiable public expenditure in Scotland under the headings of Enterprise and economic development, and Employment policies.

Some 85 percent of Scotland's population were in areas eligible for funding under these regional programmes in both the 1994-99 and 2000-06 periods. Apart from the regional programmes, significant EU funding was allocated to employment and training programmes under Objectives 3 and 4 (covering all areas except the Highlands & Islands).

Table 2.3: The thematic focus of Structural Funds programmes in Scotland, 1994-2006

	Business support (ERDF)	Infra-structure (ERDF)	Community development (ERDF and sometimes ESF)	Human resources (ESF)	Rural development/ Fishing (EAGGF & FIFG)
Highlands & Islands					
Obj. 1 1994-99	X	X	X	X	X
Obj. 1 2000-06	X	X	X	X	X
East of Scotland					
Obj. 2 1994-99	X	X	X	X	
Obj. 2 2000-06	X	X	X		
Obj. 5b 1994-99					X
South of Scotland					
Obj. 2 2000-06	X	X	X		
Obj. 5b 1994-99					X
Western Scotland					
Obj. 2 1994-99	X	X	X	X	
Obj. 2 2000-06	X	X	X	X	
Objective 3					
1994-99			X	X	
2000-06			X	X	

Source: Programming documents.

Each of the Structural Funds has different rules on the use of funding. In 1994-2006, the Objective 1 programmes utilised funding under all four Funds and supported the broadest range of eligible activities. Objective 2 programmes could draw on both the ERDF and the ESF[3] and were also able to assist an extensive set of projects, particularly those involving productive investment (business support) and infrastructure. The Objective 3 (ESF) and Objective 5b (ERDF/ESF) programmes were focused thematically, on human resources and labour market policies on the one hand, and on rural development on the other. Table 2.3 provides an overview of the thematic focus of the programmes.

[3] In 2000-06, the East of Scotland and South of Scotland Objective 2 programmes used ERDF only.

2.3 The Implementation of Structural Funds in Scotland in 1994-2006

Structural Funds resources are delivered via multi-annual programmes agreed formally between the Member State and European Commission, and based on practical partnership among various organisations, particularly sub-national authorities, socio-economic partners, and other development bodies. Member States are required to ensure that EU funding is additional to domestic development spending, and to concentrate funds in order to maximise impact. All programmes are subject to extensive rules, for example in relation to project eligibility and selection, financial management and audit, and monitoring and evaluation. Programmes are divided into thematic priorities which in turn include several measures. Project selection criteria, as well as monitoring indicators and targets, are set at the level of these measures.

EU Structural Funds regulations require the establishment of formal structures which undertake certain defined tasks, or the attribution of these tasks to existing organisations (see Table 2.3). The implementation systems for most Structural Funds programmes in Scotland in 1994-2006 were based on the following structure. The Scottish Office (1994-1999) and subsequently the Scottish Executive had overall management responsibility and accountability for EU funding in Scotland; in the 2000-06 period, the Executive was referred to as the 'Managing Authority' by the EU. The Scottish Office/Executive also had responsibility for assessing claims and managing the payments system, referred to as the 'Paying Authority' function in the 2000-06 period.

Responsibility for delivering the Structural Funds programmes was largely delegated to Programme Management Executives (PMEs), whose administrative costs were financed partly by the programmes' Technical Assistance budgets and partly by voluntary contributions from programme partners. This approach was first introduced in 1988 for the Strathclyde Integrated Development Operation in the former Strathclyde Region. The PMEs were generally established as companies limited by guarantee (although the South of Scotland PME is an independent unit of Dumfries & Galloway Council), and are each accountable to the programme's Monitoring Committee and to the Scottish Executive (since 2005 through a series of legally binding Operating Agreements).

Table 2.3: Formal bodies required for Structural Funds management under EU Regulations

Body required under EU regulations	Body in Scotland	Tasks
Managing Authority (EU regulation 1260/99 Article 34)	Scottish Executive Enterprise, Transport & Lifelong Learning Department (ETLLD), European Structural Funds Division	Overall responsibility for managing the programme e.g. financial monitoring and control; drawing up annual implementation reports; organising the mid term evaluation; and ensuring that EU rules are respected
Paying Authority (EU regulation 1260/99 Articles 9 and 32)	Scottish Executive ETLLD	Submitting certified payment applications to the Commission; receiving payments from the Commission; making payments to the final beneficiaries
Member State or nominee (EU regulation 1260/99 Article 38)	Scottish Executive ETLLD	Financial control and audit
Independent auditor (EU regulation 1260/99 Article 38 §1(f))	Scottish Executive Internal Audit Unit	End-of-period audit of the management and control systems implemented by the Scottish Executive as Managing and Paying Authority and the Programme Management Executives
Monitoring Committee for each programme, with widespread participation (EU regulation 1260/99 Article 35)	Monitoring Committee for each programme, made up of participants from e.g. local authorities, the HE and FE sector, the voluntary sector, trade unions and employers' organisations, and chaired by the Scottish Executive. Plus an observer from the European Commission.	Oversees strategic planning and implementation; approves project selection criteria; reviews progress towards targets; discusses the annual implementation reports; agrees any amendments to programming documents

The PMEs have undertaken many of the core administrative tasks needed to meet EU and domestic rules and procedures, notably in relation to:

- project applications (e.g. providing advice to applicants, undertaking initial assessments of the eligibility of applications, and issuing grant offer letters);
- administering electronic monitoring systems for collecting and processing data on financial inputs and physical outputs and results;
- carrying out physical checks on project expenditure and on progress towards the achievement of targets on outputs and results;
- ensuring that rules in relation to monitoring, evaluation and publicity were met;
- secretariat tasks for the programme monitoring committees' (e.g. preparing agendas and annual reports, drafting minutes etc.).

In addition, the PMEs have engaged in activities which are not set out in EU regulations but which have come to be seen as necessary for effective and strategic programme management. In particular, the PMEs:

- encourage partner organisations to submit projects that conformed to the programmes' strategic objectives (e.g. by mainstreaming the goals of sustainable development and equal opportunities);
- assist partners with little experience in project development (e.g. in disadvantaged communities) with the process of project application;
- facilitate the coordination and even merging of similar projects;
- promote integration between the Objective 2 and 3 programmes, between different eligible areas, and between different funding sources.

For the 2000-06 period, the PMEs were:

- the Highlands & Islands (Scotland) Structural Funds Partnership (Inverness);
- the East of Scotland European Partnership (based first in Dunfermline, latterly Inverkeithing);
- the South of Scotland Partnership (Dumfries & Selkirk);
- the Strathclyde European Partnership, for Western Scotland (Glasgow); and
- the Objective 3 Partnership (Glasgow).

During the 1994-99 period, the Objective 1 and 2 programmes were delivered by the PMEs in the Highlands & Islands, East of Scotland and Western Scotland. However, the two Objective 5b programmes in the East of Scotland area (for North-West Grampian, and Rural

Stirling and Upland Tayside) and the two Objective 5b programmes in the South of Scotland (for the Borders, and Dumfries & Galloway) were administered by the Scottish Office. For Objective 3, there was a UK-wide programme in 1994-96, which was managed by the UK's Department for Education and Employment, and a Scottish programme in 1997-99 which was administered by the Scottish Office/Executive. The Objective 3 PME was set up in 1998 with the task of preparing for the 2000-06 programme.

As elsewhere in the EU, each programme was overseen by a Monitoring Committee with responsibility for strategic supervision of the funding. These committees were chaired by the Scottish Executive and included representatives of partner organisations, notably local authorities, development agencies, education bodies, economic and social partners, and the voluntary sector.

The allocation of EU funding was based on a system of competitive bidding. Applicant organisations would submit applications for funding to the PMEs. After eligibility checks, the appraisal of project applications was then carried out by *Advisory Groups*, based on scoring criteria set out in programming documents. Advisory Groups were set up for each priority in each programme, with a range of participants from local authorities, the higher and further education sector, the voluntary sector, trade unions and employers' organisations, and chaired by the PME. The Groups would make a recommendation on each project to the *Programme Management Committee,* acting as an operational sub-committee of the Monitoring Committee. The Management Committee's role was to undertake formal decisions on the approval of projects. It was chaired by the Scottish Executive, and its members represented a range of participants of the Monitoring Committee, with secretariat tasks undertaken by the PME. Lastly, award recommendations would be put to the Scottish Executive Minister for approval.

2.4 Alternative implementation systems: other parts of the UK

Public authorities in different parts of the EU take varying approaches to the channelling of funding, the allocation of responsibilities at programme and project levels, and the extent of partnership. In order to illustrate the diversity of practice, the following sections examine the different approaches to Structural Funds implementation, first in other parts of the UK and then in a selection of other Member States (Austria, Finland, Germany and Italy). These States were chosen because they represent a range of alternative implementation systems across the EU.

2.4.1 England

The overall management responsibility for the English Structural Funds' programmes lies with central government ministries, but most implementation tasks in 1994-2006 were delegated to the regional Government Offices and other regional or local partners. The Managing and Paying Authorities for the English programmes are the Department for Communities and Local Government (DCLG) for the ERDF, the Department for Work and Pensions for the ESF, and the Department of Food and Rural Affairs (DEFRA) for the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG). For the 2007-13 period, responsibility for day-to-day implementation is being moved from the regional Government Offices to the Regional Development Agencies in each of the English regions

In 1994-2006, management and implementation structures differed slightly between Objectives and regions. Typically, however, each programme had a secretariat, either within the Government Office or a separate body (as in South Yorkshire, or Cornwall & the Isles of Scilly) set up in cooperation with other regional partners, which was responsible for day-to-day delivery. Programme secretariats were partly staffed partly by secondees from partner organisations, notably local authorities. The costs of running the secretariat were generally drawn from the programme's Technical Assistance budget. The secretariat was accountable to the Programme Monitoring Committee, as well as to a Management Board, whose members were drawn from the Monitoring Committee.

Partnership was wide-ranging, with Monitoring Committees and programme management boards including representatives of local authorities, business organisations, trade unions, development agencies, voluntary and community organisations, government bodies, higher and further education, and central State departments.

As with the overall implementation structures, the funding mechanisms differed between Objectives and regions, with a combination of funding channels, including:

- co-financed activity, whereby some funding was allocated to organisations (e.g. Learning and Skills Councils, Jobcentre Plus and sometimes Regional Development Agencies or local authorities) which made awards to final beneficiaries, often for 100 percent of total project costs;

- direct application to the Government Office, often via calls for application (with funding of up to 75 percent in Objective 1 programmes, up to 50 percent in Objective 2, and up to 45 percent in Objective 3);

- intermediary bodies, which were awarded blocks of funding, which they then allocated via small grants of 100 percent of project costs, usually to community organisations; and

- integrated plans, where blocks of funding were allocated to a specific area and theme, particularly urban regeneration, economic development, or community development, with each plan being coordinated by a local authority or local partnership, and funding being allocated through targeted calls for applications.

Although there was a wide range of project applicants, most funding was allocated to public, quasi-public, voluntary or community organisations. Funding for private firms was generally focused on small or start-up businesses, on groups of businesses, or on projects involving both public and private sectors (e.g. innovation centres or cluster projects).

2.4.2 Wales

The National Assembly is the Managing Authority and Paying Authority for all programmes in Wales. Implementation is largely undertaken by the Wales European Funding Office (WEFO), which was originally set up as a quasi-autonomous executive agency but in 2003 was taken into the Assembly's civil service structure and now operates within the Assembly Government's Enterprise, Innovation and Networks Department. WEFO is responsible for encouraging new projects, assessing applications and deciding on funding allocations, making payments, and monitoring programmes and projects.

Other key tasks in 1994-2006 were undertaken by local partnerships (at the level of local authority areas), made up of representatives of the public sector, business groups and trade unions, and the community and voluntary sector. These groups drew up strategic plans which identified local funding priorities. They also advised potential applicants on eligibility criteria and on the project's fit with the local strategic plan; assisted applicants in developing applications; decided whether to provide formal support before applications were submitted to WEFO; and provided aftercare to successful applicants. In the case of projects of national relevance, WEFO and other national bodies could instead assist with project development.

In addition, local partnerships contributed to the project selection process in the Objective 2 and 3 programmes, by providing a qualitative assessment of applications, alongside the formal criteria-based assessment undertaken by WEFO. In the 2000-06 Objective 1 programme, however, this qualitative assessment was instead undertaken by six Thematic Advisory Groups, made up of representatives of programme partners. These Groups also advised on strategic priorities, and oversaw programme delivery.

These mechanisms were designed to ensure the active participation of a range of partners. Similarly, the programme Monitoring Committees in 1994-2006 had broad membership, including representatives from the public sector, business groups and trade unions, and the voluntary and community sector. In addition, the Committees drew on the expertise of other key bodies in the fields of the environment, equality, tourism and culture.

Most funding was allocated via direct applications to WEFO following competitive calls for applications, on a priority, thematic or rolling basis. In addition, some ESF funding in the Objective 1 and 3 programmes was allocated via intermediary bodies (e.g. Wales Council for Voluntary Action, Wales Tourist Board, and Welsh Development Agency) and focused on the provision of small grants for small community groups and local partnerships.

As in England, there was a wide range of project applicants but most funding was allocated to public, quasi-public, voluntary or community organisations. Funding for the private sector was usually targeted at small or start-up businesses, on groups of businesses, or on projects which involved participants from both public and private sectors.

2.5 Alternative implementation systems: other parts of the EU

The management and implementation of Structural Funds in other Member States reflects national constitutional arrangements and institutional structures, with major differences between countries reflecting size of population, the extent of devolution, eligibility for Structural Funds and the number of programmes. The following examples of Austria, Finland, Germany and Italy provide an illustration of the range of practice outside the UK.

2.5.1 Austria

Austria is a federal State, where responsibility for regional policy is broadly located at the regional or state (*Land*) level. The Objective 1 and 2 programmes in 1995-2006[4] were managed by the individual *Länder*, while the Objective 3 programmes were managed by the Federal Ministry for Economics and Labour.

Although departments in *Land* ministries undertook core Managing Authority tasks, they delegated responsibility for certain project-level implementation activities to intermediary bodies at the level of each measure of the programmes. Some of these bodies were departments of *Land* ministries, while others were development agencies, chambers of commerce or other regional agencies. These bodies were responsible for advising project applicants, receiving and assessing applications, checking payment claims and forwarding final beneficiaries' claims to the paying authorities.

A key feature of the Austrian approach is the strong degree of formal and informal coordination and cooperation between all relevant partners, particularly between the different Länder, and between the *Land* and federal levels of government. One outcome of this approach is that the *Länder* in 1995-2006 agreed to coordinate certain tasks at the federal level.

First, Paying Authority and financial control tasks were undertaken by federal ministries - the Federal Chancellery for the ERDF, the Federal Ministry for Economics and Labour for the ESF, and the Federal Ministry for Agriculture, Forestry, Environment and Water for the EAGGF. In addition, the *Länder* also agreed that these federal ministries be responsible for managing all systems for monitoring financial inputs and physical outputs/results. The data in these systems were available to all *Länder*, as well as to key federal actors.

Second, the *Länder* agreed that the Austrian Conference for Spatial Planning (ÖROK) should facilitate coordination between the *Land* programmes. ÖROK is a public agency, financed by Federal, *Land* and local authorities to coordinate activities in the field of spatial development. In 1995-2006, ÖROK acted as secretariat to all Monitoring Committees of the *Land* programmes, and also facilitated the transfer of information between programmes.

There was also extensive cooperation within individual *Länder*. In addition to programme Monitoring Committees with wide-ranging membership, programmes also had a management committee which undertook coordinating and advisory tasks. It was chaired by the Managing Authority and made up of members from the Paying Authorities, the measure-level intermediary bodies, regional socio-economic partners, regional agencies for environmental and equality issues, local development agencies, and ÖROK.

A further important feature of the Austrian approach is that EU funding is 'subsumed' into federal and *Land* funding streams. Project applicants in 1995-2006 applied for funding under these streams and received a block of public funding, incorporating EU and domestic

[4] Austria joined the EU only in 1995, along with Finland and Sweden.

co-financing (with domestic funds often being drawn from more than one source and combined by the intermediary body on behalf of the project applicant).

A large percentage of funding under all programmes was allocated to businesses through State aid schemes, not only to start-ups and small-firms, but also to established medium-sized firms. Further funding was provided for indirect support for businesses, in the form of advisory services and technology transfer. Some programmes also included funding for infrastructure projects (with projects often being implemented by local authorities) and/or for human resource development.

2.5.2 Finland

The management of Structural Funds in 1995-2006 was relatively centralised in Finland, although the regions played an important role in coordinating funding flows, overseeing local implementation and – to a limited extent – making decisions on projects.

The Ministry of the Interior was the main government department responsible for overseeing regional policy in Finland, including Structural Funds programmes. It was the Managing and Paying Authority for the ERDF component of the programmes, while the Ministry of Labour took on these roles for the ESF, and the Ministry of Agriculture for the EAGGF and FIFG. In each programme area, Regional Councils were involved in the preparation of the Structural Funds programme. The Councils are made up of representatives of all municipalities in each region, and share responsibility for regional development policy with the central State. A co-ordination group is usually established at regional level, including representatives from each Regional Council in the programme area, as well as other regional actors, notably the socio-economic partners.

In 1995-2006, the Managing Boards of the Regional Councils appointed a Regional Management Committee, which oversaw the implementation of the Structural Funds programme in each region. The Regional Council and its member municipalities (in Lapland, the Sami Parliament), the government authorities financing the programme, other government organisations, trade unions and business organisations took part on an equal footing. This approach reflects the well-established character of partnership working in Finland, with extensive cooperation and consultation during both the preparation and implementation of programmes.

The most important task of the Regional Council is to approve the annual regional cooperation document, which defines how EU funds and the corresponding national funds are allocated between the different authorities in the region. In 1995-2006, these authorities included the Regional Council, the State Provincial Office, the Regional Environment Centre and other actors, notably the regional T&E centres (Employment and Economic Development Centres) which are joint regional bodies of the Ministry of Trade and Industry, the Ministry of Agriculture and Forestry, and the Ministry of Labour. The T&E centres provide a range of advisory and support services to businesses and individuals within the region.

Funding was channelled from the Paying Authorities to the relevant central State ministries and to the financing authorities operating in the programme areas. These actors then made funding awards to the project sponsors, allocating both Structural Funds resources and domestic co-financing. This funding could be combined with additional funding from, for example, private sources or the municipalities.

Projects were chosen either by the Regional Management Committee, the T&E centres and the socio-economic partners, or by the T&E centres alone. Normally, the Regional Management Committee was directly involved only in approving projects that covered a number of areas, large projects, or projects seen to be of significance for the development of the region as a whole. Project applicants represented a wide range of organisations, including businesses, educational institutions, municipalities, job centres, non-governmental organisations, and environmental centres.

2.5.3 Germany

Germany is a federal State where responsibility for regional policy is allocated to the regional (*Land*) level. Most Structural Funds resources in 1994-2006 were therefore managed by the individual *Land* governments, although there were also some federal programmes. For example, in 2000-06 there were two federal multi-regional Objective 1 programmes (for large transport infrastructure, and for active labour market policy), as well as a federal Objective 3 programme.

Management and delivery tasks were generally undertaken by civil servants in federal or *Land* ministries (and associated bodies e.g. *Land* Investment Banks). In a minority of cases (e.g. Nordrhein-Westfalen), an external agency was contracted to act as a 'technical secretariat' and to undertake certain administrative tasks e.g. in relation to financial management and monitoring, preparing papers and reports. However, even in Nordrhein-Westfalen, the *Land* Ministry for Economics, SMEs and Energy remained the Managing Authority and undertook all strategic and political tasks.

EU funding was subsumed into existing federal and *Land* funding streams, whether into specific budget lines, for example in the fields of infrastructure and human resource spending, or into programmes under which businesses and other actors could apply for grants. Certain components of expenditure (e.g. some types of infrastructure spending) were channelled to the local authorities, which are responsible, for example, for local transport networks. This meant that applicants applied for funding from *Land* or federal schemes and were allocated the full component of public funding, including EU resources.

The extent of cooperation with partners outside the core public authorities in 1994-2006 varied between *Länder*, although all Managing Authorities consulted other organisations on strategic issues. Partnership had a number of different aspects, with well-established institutional mechanisms in place for ensuring coordination between *Land* and federal levels, as well as between different *Land* ministries. There was also effective cooperation between the Managing Authority and the various intermediary bodies which were responsible for administering the domestic programmes or schemes into which EU funding was channelled. These intermediary bodies could include local authorities and development agencies, as well as departments in federal and *Land* ministries. Lastly, Managing Authorities consulted and cooperated with business representatives, trade unions and voluntary organisations (notably women's groups and environmental organisations). However, the degree of cooperation varied; for example, while all of these actors were represented on Monitoring Committees, in many *Länder* they did not have voting rights.

Applicants were generally well-established public or quasi-public organisations, or private businesses, both start-ups and existing firms. In some programmes, a small amount of funding was allocated to community groups under the heading of social inclusion, generally under existing federal or *Land* schemes for urban regeneration.

2.5.4 Italy

Italy combines a tradition of central State intervention in southern Italy with strong municipal authorities and more recently created regional authorities. Objective 1 funding in 1994-2006 was divided between national thematic and regional programmes, managed respectively by central State ministries and regional authorities, and coordinated by the national Ministry of Regional Development. Objective 2 programmes were managed by individual regional authorities, while Objective 3 funding was divided between regional programmes and a national programme managed by the Ministry of Labour.

Core Managing and Paying Authority tasks for each programme were undertaken by departments in a national ministry or regional authority, particularly financial management, monitoring, coordination, and secretariat support for the Monitoring Committee. However, responsibility for implementing individual measures (e.g. project eligibility checks, and the collection and checking of project-level data) was usually delegated to other units in national or regional authorities. In addition, various working groups were set up, for example, to coordinate thematic interventions in the Objective 1 national and regional programmes, or to assess and select projects under specific measures. A final key set of structures was the network of units for evaluating and assessing public investments, which undertook key strategic tasks on behalf of the regional and State administrations.

EU funding was channelled through existing public strategies and programmes at national, regional and local levels. The State budget earmarked resources to be used for domestic co-financing, and additional co-financing resources could be drawn from the State's domestic budget for regional development policy, as well as from the mainstream budgets of different public entities. Significant amounts of funding, particularly in the Objective 1 programmes, were allocated via existing policy strategies, and project sponsors were located in public or quasi-public authorities. Private firms were also major recipients, although funding was redirected largely towards small and medium-sized firms in 2000-06.

The Structural Funds programmes generated extended partnership mechanisms. Monitoring committees had widespread membership. In the Puglia region in 2000-06, for example, the Monitoring Committee included representatives of: central State ministries; Managing Authority and several other regional government departments; regional environmental and equality organisations; the Managing Authorities of each of the national Objective 1 programmes; three representatives from local authority associations; eleven representatives of socio-economic partners and two voluntary organisations; the European Commission and the European Investment Bank. Some programmes had an additional committee with a broader membership of socio-economic partners, which selected representatives for the programme Monitoring Committee, and which the Managing Authority consulted on issues such as programme planning and strategic change.

2.6 Assessment of the Scottish system

2.6.1 Distinctive features

In an international context, Scotland's system for delivering Structural Funds resources in 1994-2006 had several distinctive features, notably: the 'challenge fund' approach to resource allocation; the delegation of programme implementation tasks to quasi-autonomous agencies; the methods used for financing programme management and implementation; the number of beneficiary organisations; and the emphasis on broad-based local partnerships.

(a) 'Challenge fund' approach to resource allocation. In 1994-2006, Scotland's Structural Funds resources were allocated via a competitive 'challenge fund approach'. Project applicants would develop an idea and bid for Structural Funds resources from the PME, and they were responsible for obtaining complementary domestic match funding. PMEs often contributed to project generation by encouraging certain organisations to apply for funding, by facilitating cooperation between project applicants with complementary ideas, and by assisting actors to formulate good project applications.

As the above review indicates, in many other countries and regions, EU funding has instead been 'subsumed' into existing public funding streams or programmes. Under these 'subsumed' approaches, Structural Funds resources for areas such as infrastructure and training support are allocated directly to intermediary organisations responsible for implementing certain types of interventions and earmarked for specific projects. Other funding (especially business support) is allocated in response to project applications. These approaches involve a form of co-financing whereby the intermediary organisations provide the match-funding, enabling them to offer successful applicants a grant for the project's full public funding, drawing on both EU and domestic public resources.

(b) The delegation of programme implementation tasks to quasi-autonomous agencies. As noted above, Structural Funds administration in Scotland in 1994-2006 was largely delegated to PMEs operating on behalf of the formal Managing Authority, the Scottish Office / Executive. In the case of the PMEs for Objective 3, Western Scotland and East of Scotland, these have been run as companies limited by guarantee with their own boards, while the Highlands & Islands PME has operated as a company limited by guarantee with charitable status and the South of Scotland PME has been an independent unit of Dumfries & Galloway Council. Structural Funds programmes in many other parts of the EU have been administered by civil servants or similar public employees, although some technical tasks were out-sourced to external agencies. Particularly in the case of larger programmes, there have also often been thematic intermediary bodies (again, usually governmental or other

public agencies) which take on responsibilities for overseeing project selection and monitoring activities for specific measures.

(c) The methods used for financing programme management and implementation. In 1994-2006, the Scottish PMEs were financed partly by a management fee – latterly becoming voluntary management contributions - levied on project sponsors (based on the percentage of total resources allocated), and partly from EU resources via the programmes' Technical Assistance budget. Under EU rules, Technical Assistance funding can be used to co-finance programme support, particularly in the form of seminars, evaluations, and the acquisition and installation of computerised systems for monitoring purposes.[5] It cannot be used to co-finance day-to-day administrative costs but may finance the costs (including staff costs) of preparing, selecting, appraising and monitoring projects; preparing meetings of monitoring committees and sub-committees; and undertaking audits and on project visits.

Where Structural Funds programmes have been administered by civil servants, many delivery costs are absorbed by the ministries or departments concerned, although Technical Assistance funding is used to co-finance certain costs, particularly when technical tasks (e.g. relating to financial monitoring) are outsourced. In other situations, Technical Assistance funding is largely used to fund seminars, evaluations and IT systems. Outside the UK, project sponsors have not generally contribute to administrative costs via management fees.

(d) The number and types of project beneficiary. A distinctive characteristic of the Scottish system in 1994-2006 has been the large number of beneficiaries relative to the total amount of funding (in some programmes running to hundreds of organisations). Further, in Scotland (in common with other parts of the UK), a significant percentage of funds has been allocated to entities with limited administrative capacities (e.g. voluntary organisations, small firms). This was linked to the thematic focus of the programmes, notably the strong emphasis on community development, social inclusion, and support for start-ups or small firms. This focus on certain types of theme and certain types of project sponsor in 1994-2006 has had implications for the types of activities undertaken by implementing organisations. The number and range of project beneficiaries ensured that the Structural Funds have had extensive accessibility, visibility and local involvement, but it also generated a significant administrative workload for the PMEs; in particular, it has required PMEs to place a strong emphasis on supporting project generation and project level capacity building, as well as aftercare.

In contrast, Structural Funds programmes in many other parts of the EU have allocated funding to fewer beneficiaries relative to total funding, especially under 'subsumed' systems where funding is channelled through domestic funding streams or intermediary organisations. Also, many other programmes have not allocated funding for community development (apart from ESF funding directed at social inclusion), and have generally

[5] European Commission (2000) *Commission regulation No 1685/2000 of 28 July 2000 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds*, Official Journal L 193/39, Brussels.

targeted a significant amount of funding at infrastructure, business support (including State aid), and training programmes. Project sponsors have usually been public authorities (in the case of infrastructure and training), or existing firms. Although such entities need some support from programme administrators in applying for funding and dealing with EU rules, they usually have relatively good administrative capacities.

(e) Strong emphasis on broad-based partnership. Lastly, the Scottish approach in 1994-2006 placed a strong emphasis on the widespread participation of a range of organisations. Indeed, the European Commission frequently cited the Scottish system as a 'model' in this regard. As noted above, partners have not only been involved in the programme Monitoring Committees but also in programme Advisory Groups and programme Management Committees, which were jointly responsible for project selection. This approach emphasised the need for decisions to be based on consensus and bottom-up strategies.

EU rules stipulate that all programmes must involve a range of organisations (e.g. local authorities, business groups, trade unions, and voluntary groups). In many countries and regions, however, programmes have been led by a strong State or regional ministry with a clear strategic view, so that partners are consulted, rather than taking a primary role in decision-making. Moreover, in large programmes where implementation tasks are undertaken by diverse State or regional ministries (e.g. as intermediary bodies), the primary focus has often been on ensuring cooperation and agreement between these entities. In such cases, other organisations are also involved in the programme but have gad a secondary role.

2.6.2 The efficiency of the Scottish system

Comparisons of the efficiency of the implementation of the Scottish system relative to implementation systems in other countries are difficult to make. An EPRC study of different resource allocation systems for delivering Structural Funds compared the 'differentiated' approach in Scotland and parts of Belgium, the Netherlands, Denmark and Sweden, with 'subsumed' systems that are characteristic of Austria, Germany and Spain (see Table 2.4). It concluded that each type of system had a mix of advantages and disadvantages. On the one hand, *differentiated systems* offer a coherent approach to Structural Funds implementation through a single administrative structure, which is visible, transparent and accessible to applicants. However, such systems tend to be administratively costly, and there are potential conflicts of interests through the involvement of partners in the selection process. *Subsumed systems*, on the other hand, tend to be simpler and less expensive to administer, and may allow EU funds to be better coordinated with domestic policies. Nevertheless, they may inhibit strategic coherence within the Structural Funds programme and can be less transparent.

The issue of implementation efficiency was also examined in a recent study for the European Commission which tried to assess whether there was a relationship between the efficiency and effectiveness of Structural Funds implementation and the degree of centralisation/decentralisation and subsumed/differentiated approaches.[6] The study concluded that there was no clear evidence of one type of system being more efficient than another; the critical factors determining performance in all systems were the definition of roles and processes, the relationships between partners, the transparency of application and decision-making processes, and the availability of human resources to support project implementation and monitoring.

Within Scotland, the efficiency of the PME approach was examined systematically on three occasions during the 1994-2006 period. The first review was undertaken in 1999-2000 to assess the appropriateness of the PME model following devolution.[7] The second review was a value-for-money assessment of the PMEs commissioned by the Scottish Executive in 2003-2004 following concerns about performance on the part of the European Court of Auditors and the European Commission's DG EMPLOYMENT.[8] Both reviews identified shortcomings in the operation of some of the PMEs but concluded overall that the 'PME model' was advantageous for Scotland; the VFM study showed the PMEs to be efficient on most benchmark indicators compared with other UK and international organisations.

The third and most recent Scottish assessment was undertaken towards the end of the 2000-06 as part of the Scottish Executive's planning and consultation on implementation arrangements for Structural Funds in the 2007-13 period.[9] In a context where the Executive wanted to explore alternative implementation mechanisms to achieve greater strategic alignment, greater tactical fit, value-for-money and impact, the study identified delivery options for Scotland drawn from the experiences of other parts of the UK and other Member States.

The study was one of a number of factors which prompted the Scottish Executive to replace the PME model used in 1994-2006 with a new system. One important reason was that, in 2001/02, the European Court of Auditors had expressed criticisms that the process by which the PMEs were appointed was insufficiently transparent and accountable. A second factor was the reduction in EU funding in 2007-13 and the removal of the voluntary contribution system for the new programmes. These factors led the Scottish Executive to rationalise the Scottish programmes and to opt for a system of competitive tendering for appointing new delivery bodies.

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[6] Austrian Institute of Spatial Planning with LRDP and IDOM (2003) *A Study of the Efficiency of the Implementation Methods for Structural Funds, Report to the European Commission*, Austrian Institute for Spatial Planning, Vienna.
[7] Scottish Executive (2000a) *Report of the Steering Committee of the review of the Programme Management Executives*, Edinburgh.
[8] DTZ Pieda (2004) *VFM Financial Assessment of Programme Management Executives in Scotland, Report to the Scottish Executive*, DTZ Pieda, April 2004.
[9] Hall Aitken (2006) *Making every euro count. Final report on EU Structural Funds administration options for Scotland,* Hall Aitken, Glasgow.

Table 2.4: Comparison of different Structural Funds' implementation systems

Subsumed systems - allocation through existing domestic systems (e.g. Austria, Germany, Spain)	
Administrative Implications	
✓ Quick establishment of systems at the start of Structural Funds period. ✓ Fast and efficient implementation through established channels and expertise. ✓ No need for dedicated publicity for Structural Fund programmes or new selection procedures. ✓ Streamlined form-filling - usually one set of application forms for domestic and EU portions of financing for businesses.	? High administrative burden for Structural Fund co-ordinators working with many funding agencies (100+ actors involved in decision-making in NRW; 160 schemes receiving Structural Funds support in Austria)
Strategic Implications	
✓ Projects are appraised and decisions made by specialists/experts. Not always the case in differentiated programmes, where generalist secretariats often do some appraisal.	? Potential lack of overall coherence. Difficult to assess projects relative to the overall portfolio. ? Lack of integration of ERDF and ESF applications ? Difficult to involve specific interest groups. ? Difficult for the Structural Funds co-ordinating office to influence administration of funding
Transparency Implications	
✓ System is straightforward for businesses, which apply once for funding and do not have to concern themselves with the intricacies of different sets of rules for different funds.	? The overall visibility of Structural Funds monies and programmes may be limited ? Potential lack of transparency about how decisions are actually made - no-one has an overview ? Potential inconsistencies in use/application of eligibility criteria
Differentiated systems - with specific Structural Funds systems (e.g Scotland, Flanders, Netherlands)	
Administrative Implications	
✓ A single decision-making system is applied for a wide range of interventions. Changes to the whole system can be made relatively easily.	? Unfamiliarity of system when it is first introduced, leading to delay. ? Large administrative load for some Structural Funds programme secretariats and partners involved in project assessment and decision-making. ? Cost of establishing and running a separate system.
Strategic Implications	
✓ Potential for greater strategic coherence between the actions supported by the programme. Possible to maintain an overview.	? Some actors will play a part in preparing and/or taking decisions in areas where they have limited expertise.
Transparency Implications	
✓ Greater visibility of Structural Funds programmes. ✓ Easier to determine how Structural Funds resource allocation decisions are taken.	? Possible conflicts of interest where the partners involved in a partnership-based selection mechanism are also applicants and beneficiaries.

Source: Taylor S, Bachtler J and Rooney M-L (2000) *Implementing the New Generation of Programmes: Project Development, Appraisal and Selection*, IQ-Net Paper, European Policies Research Centre, University of Strathclyde, Glasgow.

In the 2007-13 period, therefore, Scotland will have only two programme areas – Highlands & Islands and Lowland & Upland Scotland (covering Eastern, Southern and Western Scotland) - each with an EDRF and an ESF programme. Under a two-tier implementation system, part of the future funding will be channelled through a 'commissioning system' i.e. allocated directly to so-called Intermediary Delivery Bodies (such as the development agencies, community planning partnerships and other bodies) and partly through a challenge-fund system overseen by two new Intermediary Administrative Bodies, one for each programme area.[10]

2.7 The key findings of this section

Scotland received significant amounts of finance from the EU's Structural Funds in 1994-2006, amounting to around €2.3 billion (at 2006 prices). This funding is small compared to Scotland's total GDP and total public spending, but accounts for a relatively large percentage of total public resources dedicated to stimulating socio-economic development.

Although there are extensive EU rules on the administration of Structural Funds resources, domestic authorities have a certain leeway to create implementation and delivery systems which fit their own circumstances. Different Member States and regional authorities thus take varied approaches, depending on their own institutional frameworks and political preferences. Along with the need to ensure coherence with domestic systems, studies suggest that the most important factors in determining the performance of Structural Funds delivery systems include: the definition of roles and processes, relations between partners, the transparency of application and decision-making processes, and the quality of human resources for project implementation and monitoring.

Distinctive features of the Scottish implementation system in 1994-2006 include:

- the 'challenge fund' approach to resource allocation;
- the delegation of programme implementation tasks to quasi-autonomous agencies;
- the methods used for financing programme management and implementation;
- the numbers and types of beneficiary; and
- the strong emphasis on broad-based partnership.

[10] Although at time of writing (February 2007), the new delivery arrangements have been established, the new Structural Funds programmes for 2007-13 will not be operational until they are approved by the European Commission. In the interim, the Scottish Executive is running a 'shadow round' of funding for certain ESF beneficiaries.

3. THE EFFECTS OF SCOTLAND'S STRUCTURAL FUNDS PROGRAMMES

3.1 Introduction

A central question of this study is what impact the Structural Funds have had in Scotland. This section examines the performance of Structural Funds programmes in Scotland in 1994-2006. For the 1994-99 period, this analysis is based primarily on existing ex post and final evaluations while, for the 2000-06 period, the analysis draws on the mid-term and updated mid-term evaluations, as well as the annual implementation reports.

It should be noted that there are limits on the availability and quality of data. In the 1994-99 period, the Structural Funds approach to monitoring the outputs, results and impacts of interventions was still under-developed. In an EU context, the Scottish monitoring systems in 1994-99 were stronger than in some other Member States and regions, but there were still clear weaknesses in target-setting and data collection. Moreover, the ex post evaluations for 1994-99 – undertaken on behalf of the European Commission – were limited. In the case of the UK-level ex post evaluation of the Objective 1 programmes, the Highlands & Islands was not selected as one of the two UK case studies, and the evaluation is therefore not very informative on the impacts of the programme.

Monitoring systems have significantly improved in the 2000-06 period. However, it is still early to judge the programmes' full impact. The latest data available are for the end of 2005, whereas spending under most programmes will continue until the end of 2008, and the European Commission's ex post evaluations will not be undertaken until after that date. Moreover, many 2000-06 programmes did not start until 2001 due to delays in gaining European Commission approval. Again, this was an EU wide issue, rather than a specific Scottish problem.

The following sections draw on the data available to provide a quantitative assessment of the effects of each programme, based on information in evaluation documents, as well as a qualitative analysis of the 'added value' of Structural Funds' programmes in Scotland. They also examine whether programmes have had broader policy and operational effects, for example by raising funding for certain locations or social groups, leveraging in funding from external sources, or improving cooperation and coordination between governmental and non-governmental agencies.

In order to assess the performance of Scottish programmes in relative terms, the report compares the effects of Scotland's Structural Funds' programmes in 1994-2006 with the effects of similar programmes in other EU Member States and regions. In so doing, the analysis draws on international evaluation studies and the researchers' existing knowledge of other programmes.

Fuller details on each programme are provided in the Annex to Section 2.

3.2 Methods used for assessing the effects of EU Cohesion policy

There have been extensive efforts throughout the EU to develop systems that would allow the socio-economic and other effects of EU Cohesion policy to be assessed. In the case of the Cohesion countries, where EU funding can amount to 3-4 percent of total GDP, macroeconomic models are used to evaluate impact. The two main models used are the Commission's own QUEST II model, and the HERMIN model developed by Ireland's Economic and Social Research Institute.[11] The two models make different assumptions as to the demand-side effects of public expenditure and thus show different short term results, but show similar outcomes for the longer term impact of EU funding on productive structures.

In the case of smaller programmes, such as those implemented in Scotland, it is difficult to construct and use such models for assessing impact because:

- the scale of funding is relatively low both in absolute terms and as a percentage of GDP, so that macro-regional effects are difficult to discern; and
- more complex models are needed to take account of interregional links via taxation and public expenditure, flows of goods and services, and movements of capital and labour.

For such programmes, therefore, the main focus has been on improving systems for monitoring the outputs and results generated by Structural Funds spending (e.g. the number of people trained, or the number of businesses assisted). The aim has been to ensure the availability of high quality information that could be used, both by programme managers and by evaluators, to assess the progress and effects of the programmes.

The Commission's emphasis on monitoring outputs and results has increased with each programming period. In the 1994-99 period, most programmes in the EU showed weaknesses in terms of the quality of indicators selected, targets set, and data collected. Improvements were made in monitoring systems and data quality in 2000-06, but many programmes in the EU continued to experience significant problems, such as:

- the large number of diverse indicators used, leading to difficulties in summarising and comparing information on different measures;
- the need to set equally challenging, but realistic, targets across all measures;
- the systems and methods needed for effective data collection and processing.

With the aim of addressing such problems, Scotland introduced a common approach to monitoring outputs and results across all programmes in 2000-06, with the same core set of

[11] Bradley J., E. Morgenroth & G. Untiedt (2003) *Macro-regional evaluation of the Structural Funds using the HERMIN modelling framework*, Paper presented to the European Regional Science Association, Jyväskylä, Finland; Roeger W & J. in 't Veld (1997) *QUEST II. A multi-country business cycle and growth model*. European Commission, Economic Papers No.123, Brussels.

indicators and using the same units of measurement.[12] A list of the core indicators is provided in the Annex to Section 4.

3.3 Overview of the quantitative effects of the Scottish programmes

Programme evaluations and, in 2000-06, Annual Implementation Reports, summarise the data collected through the monitoring system on selected indicators. They show that the programmes have generated significant outputs (e.g. in terms of the number of people trained and the number of businesses assisted) and notable results for the beneficiaries (e.g. access to employment, and increases in business sales). The evaluations and reports sometimes also estimate a programme's net effects on employment. This section provides an overview of selected key indicators, while the following section examines some of the challenges of estimating effects in quantitative terms. Further information on the outputs and results of each programme is provided in the Annex to Section 2.

Table 3.1: The number of projects funded by Scotland's Structural Funds programmes

Programme	1994-96	1997-99	1994-99	2000-06
Highlands & Islands Obj.1/Transitional	-	-	N/A	2,417
East of Scotland				
Objective 2	1,007	722	-	678
Obj.5b North & West Grampian	-	-	340	-
Obj.5b Rural Stirling & Upper Tayside	-	-	246	-
South of Scotland				
Objective 2	-	-	-	127
Obj.5b Borders	-	-	240	-
Obj.5b Dumfries & Galloway	-	-	519	-
Western Scotland Objective 2	1,171	1,022	-	915
Objective 3	-	1,244	-	2,987

Sources: 1994-99 data are taken from the ex post / final evaluations; 2000-06 data are taken from the 2005 Annual Implementation Reports and are reported for the end of 2005 (except Western Scotland, which are for September 2005).

Table 3.1 provides information on the number of projects financed under the Structural Funds programmes in 1994-99, with the numbers broadly reflecting the level of funding allocated under the different programmes.

Much of the information collected by the monitoring system is on indicators such as the number of businesses assisted (Table 3.2). The Annex to Section 3 provides further information on these indicators for each individual programme, along with the targets set

[12] Scottish Executive (2000b) *Measuring progress: A handbook for monitoring European Structural Fund projects*, Edinburgh.

at the beginning of the programming period. The indicators and data availability vary between programmes, with greater variability typically seen in the 1994-99 period. Among the indicators included in the tables are:

- the kilometres of transport infrastructure constructed or upgraded;
- the area of business space created or enhanced;
- the number of people trained;
- the increase in sales in assisted businesses; and
- the number of ESF beneficiaries entering employment or further education/training.

Table 3.2: Number of businesses assisted

Programme	1994-96	1997-99	1994-99	2000-06
Highlands & Islands Obj.1/Transitional	-	-	4,482	5,523
East of Scotland Objective 2	9,186	16,233		40,534
Obj.5b North & West Grampian	-	-	991	-
Obj.5b Rural Stirling & Upper Tayside	-	-	2,984	-
South of Scotland Objective 2	-	-		4,006
Obj.5b Borders	-	-	4,202	-
Obj.5b Dumfries & Galloway	-	-	4,267	-
Western Scotland Objective 2	25,838	12,911	-	8,312
Objective 3	-	-	N/A	14,280

Note: EPRC has aggregated data across indicators (e.g. new and existing firms assisted; firms receiving financial assistance and firms receiving advice). This may lead to double-counting.

Sources: EPRC calculations based on the ex post / final evaluations (for 1994-99) and the 2005 Annual Implementation Reports (for 2000-06).

The monitoring systems also collect information on the number of gross jobs created and safeguarded by the programmes (Table 3.3). The data are based on, for example, the number of jobs created in a firm due to a Structural Funds grant, or the number of people leaving an ESF co-financed training scheme for employment. The numbers are therefore directly linked to the interventions financed but do not take account of possible substitution, deadweight or displacement effects (e.g. that a firm would have created the job anyway, or that the new job in one firm indirectly reduces employment in another firm). Similarly, they do not reflect possible multiplier effects (where increased employment raises income and demand for the products and services of other local firms).

Table 3.3: Gross jobs created and safeguarded

Programme	1994-96	1997-99	1994-99	2000-06
Highlands & Islands Obj.1/Transitional	-	-	3,760 (8,987)	5,310 (6,928)
East of Scotland				
Objective 2	5,204*	17,076 (17,118)	-	16,370 (17,898)
Obj.5b North & West Grampian	-	-	2,734	-
Obj.5b Rural Stirling & Upper Tayside	-	-	1,488	-
South of Scotland				
Objective 2	-	-	-	4,396 (6,259)
Obj.5b Borders	-	-	1,910	-
Obj.5b Dumfries & Galloway	-	-	2,491 (8,563)	-
Western Scotland Objective 2	25,838*	19,166	-	13,471
Objective 3			N/A	20,769

Notes: Where one figure is shown, numbers marked with an asterisk are for jobs created and safeguarded, while other numbers are for jobs created only. Where two figures are shown, the number in brackets is jobs safeguarded, and the other is jobs created.

Sources: 1994-99 data are taken from the ex post / final evaluations; 2000-06 data are taken from the 2005 Annual Implementation Reports.

In the updated mid term evaluations for the 2000-06 period, the Scottish Executive's Analytical Services Division drew on data on gross job creation to estimate the programmes' net employment effects (see Table 3.4). However, the evaluations note the need to treat these estimates with caution due to methodological challenges and some questions over data quality (which could, for example, leading to over- or under-estimations of gross figures, or to double-counting). The estimates draw on agreed conversion rates for converting gross employment impacts to net impacts (taking account of deadweight, displacement, substitution and multiplier effects).

Table 3.4: Estimates of net new jobs created under the 2000-06 programmes

Programme	Net new jobs created by December 2004
Highlands & Islands	3,730
East of Scotland	11,157
South of Scotland	3,248
Western Scotland	6,013
Objective 3	3,456-5,761

Source: Updates to the programme Mid Term Evaluations (2005), drawing on an assessment by the Analytical Services Division of the Scottish Executive.

This assessment found that estimates of costs per job for many categories of intervention 'did not compare unfavourably' with estimates of the effects of comparable domestic schemes, namely Regional Selective Assistance and the New Deal. Although lower figures were found for some types of intervention, this was seen to be due to their longer term nature or (e.g. in the case of training for staff in firms) due to their focus on raising productivity rather than employment. The review concluded that the results should be viewed as indicative of programme progress rather than full measures of impact.

3.4 Discussion of quantitative information on effects

Some caution is needed in dealing with the quantitative information set out in the previous section, as the quality of data is variable. In common with their counterparts throughout the EU, the authorities responsible for managing Scotland's Structural Funds programmes have encountered a number of problems in establishing effective systems for monitoring and evaluating their effects. For example, the EU-wide ex post evaluation of the Objective 2 programmes in 1994-99 noted widespread difficulties relating to overly cautious target-setting, and double-counting of outputs. This section examines some of these issues, drawing on evidence from evaluations of the Scottish programmes.

Despite considerable efforts to improve the quality of data collected through Structural Funds monitoring systems, some problems remain. Evaluators note significant weaknesses in the completeness and reliability of data in the 1994-99 period, as well as in the definition of indicators.[13] Monitoring indicators and targets have since been revised, and a common set of indicators has been introduced across the Scottish programmes. A more rigorous methodological approach was thus taken to setting targets and collecting data from project sponsors in 2000-06. However, the 2000-06 evaluations still noted some problems[14] in:

- the large number of indicators, which can hinder meaningful comparisons of performance between priorities or programmes;
- defining indicators in practice (e.g. an instance of business assistance);
- ensuring that targets are sufficiently challenging at both programme and project level, as some show significant over-achievement;
- the procedures used by project sponsors for recording data (which may lead to over- or under-reporting);

[13] Segal Quince Wicksteed (1997) *Interim evaluation of the Highlands & Islands Objective 1 programme 1994-99*, Edinburgh; EKOS (1999a) *Interim evaluation of the East of Scotland Objective 2 programme 1997-99*, Glasgow; OPDM (2006) *Ex post evaluation of the English, Scottish and Welsh Objective 5b programmes 1994-99*, London; EKOS (1999d) *Final evaluation of the East of Scotland Objective 2 programme 1994-96*, Glasgow.

[14] Fraser Associates, EPRC & RDC (2003) M*id term evaluation of the Highlands & Islands special transitional programme,* Glasgow; EKOS (2003) *Mid term evaluation of the East of Scotland Objective 2 programme 2000-06*, Glasgow; Scottish Executive (2005b) *Mid term evaluation update of the East of Scotland Objective 2 programme 2000-06,* Edinburgh; Roger Tym (2003) *Mid term evaluation of the East of Scotland Objective 2 programme 2000-06*, Glasgow; Scottish Executive (2005c) *Mid term evaluation update of the South of Scotland Objective 2 programme 2000-06*, Edinburgh; Scottish Executive (2005d) *Mid term evaluation update of the Western Scotland Objective 2 programme 2000-06*, Edinburgh; Scottish Executive (2005e) *Mid term evaluation update of the Objective 3 programme 2000-06*, Edinburgh.

- the mechanisms for ensuring that project sponsors understand the indicators and units of measurement.

Moreover, some programme evaluations provide data on outputs and results only at priority or measure level. When these data are aggregated, there may be double-counting as some recipients may benefit under more than one measure or priority.[15] For example, a firm might access both ERDF funding for capital investment and ESF support for training or ERDF-financed business or technology-oriented advisory services.

More fundamental issues relate to difficulties in selecting indicators and setting targets to reflect the complex and long-term goals which are typical of Structural Funds programmes. For example, the core impact indicator usually used in smaller programmes, such as those implemented in Scotland, is gross or net job creation. However, some key interventions within the programme aim instead to raise productivity rates (e.g. by improving the skills of workers or raising firms' capacities for product development). To the extent that such interventions facilitate a shift to more capital intensive modes of production, they may have a negative effect on job creation, at least in the short term. Moreover, other interventions focus on raising the employment levels of particular target groups, rather than at raising aggregate job levels; substitution effects may then mean that the overall effect of such interventions on job creation is relatively limited. However, there may still be positive effects for the overall economy, to the extent that long term structural unemployment is reduced. Nevertheless, these factors mean that the job creation indicator does not reflect the full effects of all measures within the programmes.

Similarly, because the programmes aim primarily to facilitate long-term structural change, the effects of many interventions funded may take some time to become evident, so that mid-term and even ex post evaluations do not pick up full effects, whether in terms of job creation or enhanced business productivity.[16]

Finally, it is important to note that the monitoring data simply provide an overview of the gross effects of funding. They do not provide any information on what might have happened if the Structural Funds programmes had not existed i.e. to what extent the outputs, results and impacts can be seen as genuinely additional.

3.5 Overview of the qualitative effects of the Scottish programmes

Many studies and observers of Structural Funds programmes state that they bring benefits which are not fully reflected in the data on quantitative outputs, results and impacts produced by the programmes' monitoring systems. This section provides an overview of evaluations and assessments of the qualitative effects of programmes in Scotland.[17] Box 1 outlines some of the most important effects identified in the evaluations.

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[15] Scottish Executive (2005c) *op. cit.*; EKOS (1999d) *op. cit.*

[16] Scottish Executive (2005a) *Mid term evaluation update of the Highlands & Islands special transitional programme 2000-06*, Edinburgh; EKOS (1999d) *op. cit.*

[17] Some of the main evaluation documents include summaries of other thematic evaluations on issues such as social inclusion, or the results of surveys of, and workshops with, programme partners and

Box 1: Examples of the socio-economic impact of Structural Funds programmes

Evaluation studies note the effectiveness of particular programmes or interventions on the final beneficiaries or the broader socio-economic context e.g.:

Highlands & Islands: Case studies included in the update to the mid-term evaluation in 2000-06 showed important effects in upgrading broadband networks and associated services; encouraging investment in renewable energies, especially via the Community Energy Company Revolving Fund; developing the University of the Highlands & Islands; providing integrated solutions to transport problems e.g. in the Northern Isles; and improving childcare provision.

East of Scotland: A survey of project managers, cited in the mid-term evaluation for 2000-06, notes the following impacts: creation and improved sustainability of new enterprises; stronger growth in companies; improved viability of SME and strategic sectors; improved community capacity; environmental improvement; and improved tourism sector and opportunities.

South of Scotland: A report to the Monitoring Committee in September 2006 notes a series of changes in 'roadblocks to development' identified in the SPD (drawing on the programme's monitoring data) including: increased business space; provision of grants, loans and specialist advice to businesses have raised investment and improved access to expertise; expansion of training and learning facilities aimed at addressing skills problems; regeneration of areas experiencing rural deprivation; improved area marketing through tourism and inward investment initiatives.

Western Scotland: The update to the mid-term evaluation in 2000-06 notes that investment in infrastructure, retraining programmes and support for start-up firms have contributed strongly to regeneration, not least by improving the image of the region, and increasing confidence in the region's economy.

Objective 3: The mid-term evaluation for 2000-06 notes that the Leavers' survey shows that the courses enable people to compete well on the labour market, and that most participants rate the training courses very highly.

However, critics argue that the programmes' effects could equally well have been achieved by domestic funding instruments, if resources had been re-allocated from EU co-financed programmes to domestic interventions. A key question is therefore: What is the added value of these EU co-financed programmes? Equally, what is the additional cost of these programmes?

The evaluations of the Scottish programmes mainly find added value in terms of:

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project sponsors. For example, the Updated Mid Term Evaluations of the 2000-06 period include details of workshop discussions with wide-ranging participation on the added value of programmes.

- multi-annual earmarking of development funding for specific locations, social groups and types of intervention;
- as a consequence, in certain locations and policy-fields, the funding of more projects and larger projects, and more rapid completion of projects;
- the leveraging-in of additional finance from other external sources, through the allocation of EU funding;
- encouragement of new project ideas or better project quality, through EU rules, approaches and exchange of experience;
- systemic improvements in the strategic orientation, efficiency and openness to new ideas of programme partners and project holders.

Overwhelmingly, the main additional cost or burden of the Scottish programmes is seen in terms of increased bureaucracy and complexity for all participants.

3.5.1 Multi-annual earmarking of public funding for certain types of intervention

Many evaluations and reports see a key source of added value in the programmes' effect on the distribution of funding between types of intervention. They argue that certain categories of intervention would not have been addressed as strongly or at all in the absence of the Structural Funds programmes. Structural Funds resources are focused on types of expenditure which are seen to enhance the supply of productive factors (e.g. public infrastructure, human resources, knowledge capital) that are key to long-run economic growth, as well as targeted support for community regeneration.

A key advantage of EU programmes is that funding is earmarked for specific types of expenditure over multi-annual periods. Although changes can be made to the distribution of funding within the programme, it cannot be shifted towards spending categories which are not eligible under EU rules nor defined by programming documents. These guarantees of multi-annual funding can be particularly important at times of fiscal constraints or political change, as they safeguard ongoing spending for longer term developmental goals.

The allocation of additional funding for certain types of intervention has also meant that Structural Funds programmes are seen (e.g. in surveys of partners) to have allowed more or larger eligible projects to have been funded, to have enabled projects to be implemented more quickly, or to have raised project quality.[18]

Some effects are seen most clearly in the Highlands & Islands programmes, which have provided significant funding for both large- and small-scale infrastructure that is unlikely to have been provided from other sources. One example is investment in broadband and ICT technology and associated advisory and support services, which is seen to be of critical

[18] Fraser Associates et al. (2003) *op. cit.*; Scottish Executive (2005a, 2005d, 2005e) *op. cit.*; EKOS (2003) *op. cit.*

importance for business, education and community needs. Another example is the Northern Isles Transport Development Package, which is regarded as having improved transport systems in the northern Highlands & Islands, and thus to have contributed to key strategic goals relating to reducing peripherality and safeguarding communities.

Other dimensions are evident in all Scotland's programmes. Perhaps the key area of intervention which is unlikely to have been emphasised so strongly without the Structural Funds programmes is community economic development and social inclusion, particularly in the 1994-99 period.[19] As already noted, this approach ensured that a significant percentage of development funding was allocated to disadvantaged communities and individuals. The focus on community development and social inclusion started in the 1994-99 programmes and continued in 2000-06, and this approach has now been mainstreamed in domestic policy, drawing on lessons from Structural Funds experiences. The Objective 3 updated mid term evaluation for 2000-06 notes, for example, that 71 percent of projects would not have gone ahead without EU funding, and that the remainder would have been smaller, of poorer quality or postponed.

There is also more limited evidence that the programmes have allowed additional funding for human and knowledge capital, whether via further and higher education infrastructure; new training and learning environments through ICT; or support for innovative enterprises.[20]

The Structural Funds have also led to a stronger emphasis on the equality dimension of development and regeneration policies, not least through the approach of mainstreaming equality objectives. Moreover, support has been provided for practical initiatives such as childcare in disadvantaged areas, as well as specific training initiatives for women, both of which may facilitate female employment.[21] Funding has also been provided for equality-oriented projects, such as the Highlands & Islands Equality Forum and other projects within the Objective 3 programmes, which are seen as important demonstration projects.

There is also some evidence that the other key horizontal theme, sustainable development, has led to a stronger emphasis on integrating environmental, social and economic needs. This has occurred partly through mainstreaming sustainability goals and partly through specific projects. For example, the Highlands & Islands updated mid term evaluation for 2000-06 notes that projects such as the Community Energy Company Revolving Fund, which finances renewable energy projects in small communities, would not have been supported at that time without EU funding.

[19] Fraser Associates et al. (2003) *op. cit.*; ECOTEC (2004) *op. cit.*; Yellow Book (2003) *Mid term evaluation of the Western Scotland Objective 2 programme 2000-06*, Edinburgh; EKOS (1999c) *Interim evaluation of the Western Scotland Objective 2 programme 1997-99*, Glasgow; Roger Tym (2003) *op. cit.*; Scottish Executive (2005c, 2005e) *op. cit.*; Hall Aitken (2003) *Mid term evaluation of Scotland's Objective 3 programme 2000-06*, Glasgow.

[20] EKOS (2003) *op. cit.*; Roger Tym (2003) *op. cit.*; Scottish Executive (2005c) *op. cit*.

[21] Fraser Associates et al. (2003) *op. cit.*; Yellow Book (2003) *op. cit*.

3.5.2 Multi-annual earmarking of development funding for specific locations and social groups

The evaluations also argue that, in the absence of the Structural Funds programmes, less regeneration funding would have been allocated to disadvantaged areas, groups and individuals. The development-oriented spending provided by the Structural Funds is seen as particularly important in locations which depend on declining primary or secondary industries, as it can facilitate structural shifts to new economic activities. Moreover, by earmarking funding for locations with clear socio-economic weaknesses, the Structural Funds ensure that individuals and businesses in these areas are assisted to participate in and benefit from structural change.

Although some Structural Funds resources have been provided to all areas of Scotland under the Objective 3 programmes, higher levels of funding have been targeted on those areas with higher levels of need. Surveys of partners indicate that the programmes are widely seen to have led to a stronger focus in Scotland's economic regeneration policy on the poorest individuals and communities.[22]

In the Highlands & Islands, for example, public resources tend to be stretched because the cost of delivering generic public services per capita is typically higher in low population density areas. Moreover, levels of private investment are below-average due to small home market size and weak access to larger external markets. Structural Funds programmes in the Highlands & Islands in 1994-2006 prioritised the allocation of resources to areas seen to be experiencing greatest need, not least via the project appraisal process. There has been a specific focus on smaller communities, not least under the 2000-06 programme's measure on community and social infrastructure, which ensured funding for fragile areas.[23]

The other Scottish programmes have also targeted funding on specific locations perceived to have acute needs, often due to difficulties associated with structural decline. The Western Scotland programme, for example, has focused strongly on urban areas with low rates of employment and with extensive socio-economic problems. Similarly, the South of Scotland programme has targeted funding on rural areas facing specific challenges.

Almost all programmes have included a focus on community regeneration and development, with significant amounts of funding allocated to community-based groups and voluntary organisations. There have also been efforts to ensure that physical regeneration projects incorporate 'softer' dimensions focused on the needs and views of local people. Some instruments have been set up explicitly to improve access to EU funding for community-based organisations, such as Western Scotland's Key Funds. The 2002 interim evaluation of the Key Funds noted that, of the 148 projects funded, 83 percent of project sponsors had no previous experience with EU funding, and that this funding facilitated access to other financial resources.

[22] Scottish Executive (2005d) *op. cit*.
[23] Highlands & Islands Single Programming Document 2000-06; Scottish Executive (2005a) *op. cit*.

In addition, project appraisal processes in some programmes have ensured a higher priority for projects which target expenditure on certain groups of individuals. The PMEs have also assisted targeted groups to develop project ideas, and this has led to increased applications from minority ethnic organisations, women's and disability organisations.[24]

A thematic evaluation of the impact of the Scottish programmes on social inclusion found that the Highlands & Islands programme had successfully reached key target groups (in particular, the long-term unemployed and the disabled) and showed good employment effects. [25] Similarly, the Objective 3 programme is seen to have been effective in assisting disadvantaged individuals, including those for whom there was seen to be insufficient support from mainstream public services. In Eastern Scotland, support for community regeneration and businesses is seen to have contributed to a rise in social inclusion.[26]

These findings are supported by surveys of ESF beneficiaries The latest survey, for 2005, covering the Objective 3, Western Scotland and Highlands & Islands programmes found that beneficiary expectations were generally being met or even exceeded, with net gains and improvements being relatively well-focused on the 'hardest to reach' groups.[27]

3.5.3 EU funding has increased resources by leveraging-in additional funding from other external sources

A number of evaluations note that the Structural Funds programmes have also been successful in attracting additional private or public funding for specific locations and types of intervention.[28]

Most funding to businesses must be co-financed from the firms' own resources or other private finance. In some cases, firms might in any case have undertaken a partial investment without EU funding, so their contribution to project costs cannot be seen as additional. Nevertheless, in some cases, firms may not have invested in a specific location or, for example, in capital equipment, skills or product development in the absence of EU funding. Deadweight, displacement and substitution effects are likely to be relatively limited because funding is targeted on locations with low levels of private investment and on firms with difficulties in accessing capital from market sources. Given this focus, it is not surprising that the ability of the private sector to provide co-financing is seen as limited.[29]

A second possible source of leveraging concerns other major public or quasi-public funding channels, such as Lottery Fund, charities, and Communities Scotland programmes, which may be used to co-finance specific projects. Some of this funding may not have been attracted to specific locations or types of projects without EU funding. In the case of

[24] Highlands & Islands Single Programming Document 2000-06; Scottish Executive (2005c) *op. cit*.
[25] EKOS (2005) *Review of ESF Social Inclusion Measures*, Final report for the Scottish Executive, EKOS Ltd, Glasgow,
[26] Scottish Executive (2005a, 2005b, 2005e) *op. cit.*
[27] Scottish Executive (2006b) *European Social Fund: The 2005 Beneficiaries Survey*, Research study conducted by MORI for the Scottish Executive, March 2006.
[28] Scottish Executive (2005a, 2005b, 2005d) *op. cit*.
[29] Segal Quince Wicksteed (1997) *op. cit*.; Highlands & Islands Single Programming Document 2000-06.

Lottery funding and finance from charities, resources may not have come to Scotland at all without the Structural Funds programmes.

In addition, some evaluations find that the partnership approach, based on the cooperation of a number of different organisations, allows more funding to be leveraged in for economic development projects, and for the available funding to be combined and targeted more effectively on larger and more strategic projects.[30] Within a specific project, for example, funding may be brought together from a range of domestic organisations, HE and FE institutions, voluntary or community bodies, and local authorities, as well as EU sources. Moreover, some projects have combined funding from different EU sources e.g. from Objective 2 and 3 programmes, or from Objective 2 and one of the Community Initiatives.

3.5.4 EU rules, approaches and exchange of experience have encouraged new project ideas or better project quality

Some evaluations find that the approach taken by Structural Funds programmes can stimulate new project ideas or raise project quality. This may be due to the introduction of strict rules in relation to project appraisal, monitoring and evaluation (particularly in 1994-99), or to the exchange of experience, whether within individual regions of Scotland or via EU-wide networks. Moreover, such innovative or good practice projects can bring broader benefits via demonstration effects throughout the programme and policy sphere.[31]

The evaluations find that the Structural Funds approach has improved the quality of projects, often due to the strict rules on project eligibility and the information needed for project application.[32] In addition, project quality is seen to have been enhanced by the work of the PMEs in assisting applicants with project generation and capacity building,[33] and also via the expert scrutiny of applications by the programme Advisory Groups.

In many cases, the types of project funded are also seen to be new. Almost half of the project sponsors interviewed in a survey reported in the mid term evaluation of the Highlands & Islands programme in 2000-06 said that the project field or approach was new. In particular, evaluations reported project experimentation in fields such as SME and ICT support schemes; local initiatives such as credit unions, local exchange trading schemes, and community transport projects, and support for the social inclusion of groups such as ethnic minorities, the homeless and older unemployed individuals.[34]

In addition, Structural Funds rules on the mainstreaming of equal opportunities and sustainable development are seen to have had some effect on project design and implementation. While enthusiasm for this approach was limited in early phases, and concerns remain over the additional administrative burden generated,[35] it is seen to have led to gradual changes in, for example, organisations' recruitment and environmental

[30] Scottish Executive (2005a, 2005d) *op. cit.*
[31] Scottish Executive (2005a, 2005e) *op. cit.*
[32] Fraser Associates et al. (2003) *op. cit.*; Segal Quince Wicksteed (1997) *op. cit.*.
[33] Scottish Executive (2000a) *op. cit.*
[34] Highlands & Islands Single Programming Document 2000-06; EKOS (1999a) *op. cit.*; Scottish Executive (2005e) *op. cit.*
[35] EKOS (1999a, 1999c) *op. cit.*; Hall Aitken (2003) *op. cit.*

management.[36] In more concrete terms, funding allocations show a greater emphasis on equal opportunities and sustainable development in 2000-06 compared with 1994-99.

A number of evaluations note that new ideas and approaches have been generated through cooperation between domestic agencies, not least via exchange of expertise. For example, the South of Scotland's Seven Stanes Mountain Biking Centre is seen as a project with strong effects, not least due to the wide-ranging partnership on which it is based, involving Forest Enterprise, both LECs and both local authorities in the region, Scottish Natural Heritage, VisitScotland and other partners such as Solway Heritage and Scottish Power. While some partners contributed financially, others mainly provided specialist expertise. Other examples of effective partnership leading to new types of projects are seen in the Highlands & Islands, for example in the University of the Highlands & Islands, which brings together FE and HE colleges, as well as other actors, to provide a focus for a range of types of education, training and R&D. Similarly, in the East of Scotland, the Consortium of the East of Scotland Area Tourist Boards is seen to have facilitated the pooling of resources and the delivery of successful niche marketing initiatives across the programme area.

There were, however, concerns in some of the 2000-06 evaluations that, in contrast to the focus in 1994-99 on new and more difficult types of projects, stricter EU rules on rapid financial absorption were leading to a stronger focus on 'safer projects' which were seen as better able to meet spending targets.[37] In 2000-06, once funds are committed, they must be fully disbursed within two years, and this can prove challenging, perhaps particularly in the case of smaller project holders with limited administrative capacities.

3.5.5 Programme effects on strategic orientation

The evaluations find some evidence that Structural Funds programmes have contributed to a more strategic approach in the field of economic development and regeneration, not least due to the EU emphasis on multi-annual strategic planning. Moreover, the partnership approach in Scotland is seen to have improved strategic coordination between key actors within the different regions, and the PMEs are considered to have undertaken effective work in animating this partnership and in ensuring that strategies are put into practice on the ground. It is less clear that the programmes have contributed to a more coherent strategic approach at the Scottish level, although the Scottish Executive (as managing authority) has been effective in coordinating the regional programmes.

A number of the evaluations note the role of the Structural Funds programmes in facilitating a more strategic approach by bringing together a wide range of organisations at a regional level. They note that the programmes' Monitoring Committees and Advisory Groups have acted as regional fora, bringing together peer groups across relatively large

[36] Fraser Associates et al. (2003) *op. cit.*; EKOS (2003) *op. cit.*; Scottish Executive (2005b, 2005e) *op. cit.*; Roger Tym (2003) *op. cit.*; Yellow Book (2003) *op. cit.*

[37] Scottish Executive (2005b) *op. cit.*; Roger Tym (2003) *op. cit.*; Highlands & Islands Single Programming Document 2000-06; ECOTEC (2004) *op. cit.*

regions and from a variety of sectors.[38] Similarly, the need to provide regional analyses and to develop strategies for the programming documents is seen to have promoted a regional dimension to policy making. This is not only seen to have facilitated cooperation and a more strategic approach, for example between organisations working on environmental sustainability and economic development, but also to have enhanced the availability and use of specialist expertise.[39] Partnership within the programmes is also seen to have led to the emergence of communities of interest at local level in some parts of Scotland.

Various studies[40] note the key role played by the PMEs in 1994-2006 in ensuring that the strategies set out in programming documents are put into practice. They are seen to have identified opportunities for intervention and, particularly, to have encouraged the involvement by types of organisations which were seen to be under-represented. For example, the PMEs facilitated the exchange of good practice on the issue of equal opportunities (e.g. via workshops, a good practice guide, and information in newsletters and on websites) and also successfully encouraged ethnic minority women's and disability organisations to submit increased numbers of project applications.

A number of evaluations and studies explicitly consider interactions between domestic policies and Structural Funds strategies. Some of the earlier programmes are seen to have brought significant added value in terms of helping to build coherent and consensus-based regional strategies. In contrast, some of the 2000-06 evaluations see the EU co-financed programmes simply as frameworks which accommodate the diverse priorities of all partner organisations, which are in turn influenced by (compulsory) national strategies.[41] However, while the evaluations criticise the 2000-06 programmes for adding only limited strategic value, this approach could instead be seen to imply improved coordination between Structural Funds programmes and domestic policy priorities.

3.5.6 Programme effects on efficiency

The evaluations find some evidence that the programmes have led to more efficient modes of working, and thus to have raised the quality of project and programme planning and implementation. These effects are perceived as largely due to EU rules which require effective procedures for project appraisal and selection, programme monitoring and evaluation, and mechanisms for the exchange of good practice.[42] In addition, the emphasis in Scotland on partnership, as well as the coordinating and animating work of the PMEs, are seen to have enhanced efficiency. However, the Structural Funds approach is also widely

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[38] EKOS (1999b) *Final evaluation of the Eastern Scotland Objective 2 1994-1996 programme*, Glasgow; Highlands & Islands Single Programming Document 2000-06; ECOTEC (2004) *op. cit.*; EKOS (1999c, 2003) *op. cit.*; Scottish Executive (2005d, 2005e) *op. cit*.

[39] Fraser Associates et al. (2003) *op. cit*.; EKOS (2003) *op. cit.*; Scottish Executive (2005b, 2005c, 2005d) *op. cit*.; Roger Tym (2003) *op. cit.*

[40] Colwell A. and G. McLaren (1999) *The Scottish experience of preparing and implementing Structural Fund programmes*. COSLA / Eastern Scotland European Partnership; Bachtler J., F. Josserand and R. Michie (2002) *EU enlargement and the reform of the Structural Funds: the implications for Scotland*, Scotecon, Stirling ; Scottish Executive (2000a) *op.cit.*

[41] Fraser Associates et al. (2003) *op. cit*.; Yellow Book (2003) *op. cit*.

[42] Yellow Book (2003) *op. cit*.

criticised for raising administrative costs and burdens. Moreover, while the PMEs may have enhanced efficiency in a number of ways, they have also added an additional layer of costs.

EU rules are seen to bring a number of operational benefits.[43] At project level, requirements on selection and monitoring are seen to have led to improvements in project management and to have ensured that applicants think through and demonstrate the rationale of any project. At programme level, Structural Funds rules are credited with having increased the attention paid to monitoring and evaluation.

In addition, the approach taken to programme delivery in Scotland in 1994-2006 is argued to have enhanced the efficient allocation of funding by reducing overlaps and enhancing coordination.[44] In the South of Scotland programme in 2000-06, for example, region-wide projects have been implemented, rather than separate projects for the programme's two component areas (Dumfries & Galloway, and Borders), thus reducing overall administrative costs. The integration of complementary projects is seen to have been facilitated by the work of the PMEs in encouraging links between projects and in promoting good practice. The PMEs are also credited with having raised administrative capacity in some project sponsors, particularly smaller applicants, leading to improvements in project design, development and delivery. Finally, some evaluations cite partnership as a source of efficiency gains, as it can lead to strong feelings of programme 'ownership', which in turn can enhance partners' commitment to high quality project design and implementation.[45]

Nevertheless, a number of negative issues must also be noted. Overwhelmingly, the main criticism voiced in evaluations and studies of the Structural Funds approach is its additional bureaucracy and complexity when compared with domestic programmes. The rules and procedures most frequently cited as problematic include: project applications and appraisal; project claims and payment processes; monitoring requirements; delays in payments; eligibility constraints on projects or final beneficiaries; and the implementation of horizontal themes.[46]

In addition, the implementation system in place in Scotland in 1994-2006 appears to have raised administrative costs via the additional layer of administration embodied in the PMEs.[47] A recent report estimated the administrative costs of the five PMEs at a total of £30.89 million (including £14.5 million of EU funds) for the 2000-06 period, or around £4.5 million a year.[48] This is equivalent to 1.9 percent of EU funding. It also noted that the Scottish Executive estimated that these costs could be reduced to between £750,000 and £1.5 million a year if administration mechanisms were structured differently.[49] However, it

[43] Scottish Executive (2005a) *op. cit.*; ECOTEC (2004) *op. cit*.
[44] Scottish Executive (2005a) *op. cit.*
[45] EKOS (1999d) *op. cit*; Yellow Book (2003) *op. cit.*; Hall Aitken (2003) *op. cit*.
[46] EKOS (1999a, 1999b, 1999c) *op. cit.*; ODPM (2006) *op. cit.*; Roger Tym (2003) *op. cit.*; Yellow Book (2003) *op. cit.*; Hall Aitken (2003) *op. cit.*; Scottish Executive (2005e) *op. cit.*;
[47] Bachtler J., F. Josserand and R. Michie (2002) *op. cit*.
[48] Scottish Parliament (2006c) *Report on an inquiry into the Scottish Executive's plans for future Structural Funds programmes 2007-2013*, European & External Relations Committee Report, SP Paper 611, Edinburgh.
[49] According to the Scottish Executive, the *actual* costs associated with the new delivery arrangements for 2007-13 (outlined in Section 2.6.2 above) are likely to deliver the projected cost savings.

should be noted that another study[50] found that the PME approach provided value for money in comparison with other UK and international organisations.

3.6 Comparing Scotland with other Member States and regions

3.6.1 International perspectives

A broader perspective on the performance of Structural Funds in Scotland can be gained by examining the experiences of other countries and regions in spending EU funds. This section considers the impact and added value of Structural Funds programmes across the EU based on EC-commissioned evaluation studies and some academic research. It begins by reviewing the available quantitative data and other information in relation to the *performance* of Structural Funds programmes. The section then discusses the qualitative evidence relating to the *added value* issues identified in the previous section, namely the capacity of the Structural Funds:

- to raise the level of public funding for certain locations, social groups, and categories of intervention;
- to lever in additional funding from other public and private sources;
- to stimulate new project ideas and better project quality;
- to enhance the strategic orientation of projects and programmes; and
- to raise the efficiency of programme design and implementation.

It also considers the additional costs of Structural Funds programmes, particularly in relation to its impact on policy strategies, as well as on the efficiency of programme design and implementation. The key sources of information used in this section are primarily Structural Funds evaluations and studies e.g. ex post evaluations for Objective 1 and 2 programmes in 1994-99; EU-level summaries of mid term evaluations in 2000-06; EU-level thematic evaluations (on the Lisbon strategy, SMEs, RTDI and the information society) and other EU studies, e.g. preparatory studies for the Commission's Cohesion reports. The section also draws on studies by EPRC and other institutes / observers on added value.[51]

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[50] DTZ Pieda (2004) *op.cit.*

[51] These include: Bachtler J. and S. Taylor (2003) T*he added value of the Structural Funds: a regional perspective*, IQ-Net report on the reform of the Structural Funds; EPRC and Fraser Associates (2002) *A feasibility study for an evaluation of the impact and added value of the EU Structural Funds in the UK*, Report for the DTI and ODPM; ECOTEC (2003) *Evaluation of the added value and costs of the European Structural Funds in the UK*, Report to the DTI and ODPM; Austrian Institute of Spatial Planning (2006) *The added value study of Cohesion policy*, Report for the European Parliament; and Mairate A. (2006) The 'added value' of European Union Cohesion policy, *Regional Studies* 40(2): pp. 167-177.

3.6.2 International assessment of Structural Funds programme performance

As noted earlier, all of the EU Structural Funds programmes for 1994-99 were subjected to ex post evaluation by the Commission to identify the outcomes and impacts due to Structural Funds interventions, such as numbers of jobs created, safeguarded and redistributed.[52] However, there is a need for considerable caution in dealing with these estimates and, in particular, when comparing figures between countries and regions. On the one hand, data quality is variable, due to differences in monitoring systems. Similarly, public authorities in different countries may have taken different approaches to defining indicators, leading to disparities in the figures generated. In addition, the evaluators have made adjustments to the data, e.g. using estimates to fill any gaps in data provision, and this may lead to distortions.

On the other hand, there may be genuine differences between programmes and projects, as well as between countries and regions. For example, the distribution of funding between spending categories varies between programmes. As some categories show stronger effects on employment (while others e.g. contribute more to productivity gains), this will affect impacts in terms of jobs. Also, the microeconomic situation within individual regions and areas will vary, with costs per job generally being lower in agglomerations and higher in peripheral, low population areas. Similarly, the macroeconomic situations of countries differ, affecting the overall context in which Structural Funds programmes operate and the overall propensity for job creation.

(i) Objective 1 programme evaluation, 1994-99

The Highlands & Islands programme for 1994-199 was one of 168 Objective programmes implemented in 11 different Member States. Across the EU, a total of €232 bn was planned to be spent over the period through Objective 1 programmes, of which around 91 percent was estimated to have been actually spent in practice, mainly due to lower than expected private sector expenditure. The Highlands & Islands programme was one of the smallest programmes to be implemented, and therefore features only to a limited extent in the ex post evaluation of the Objective 1 programmes undertaken by ECOTEC for the Commission (only Merseyside and Northern Ireland were studied in detail in the UK).[53]

The main findings of the ECOTEC evaluation were that Objective 1 funding had been responsible for significant effects on growth and employment. Macro-economic modelling of the effects of the Funds under the larger programmes produced maximum impacts on GDP (on so-called 'macro-regions') during the period, ranging from 4.7 percent in Portugal, and up to 4 percent in eastern Germany, to 1.8 percent in Northern Ireland and 1.4 percent in

[52] Jobs 'redistributed' reflect the number of unemployed people who, after participating in an ESF training programme, find employment. The evaluators calculate this figure by taking the total number of ESF beneficiaries; halving this figure (because many beneficiaries are already in employment); and finally taking 60 percent of this figure, based on other studies' findings on the percentage of unemployed people who find jobs after participating in such training schemes.

[53] ECOTEC (2004) *Ex-Post Evaluation of Objective 1 1994-1999*, Final Report to DG Regional Policy, European Commission, ECOTEC Research & Consulting Ltd.

Spain. In smaller 'micro-regions', such as the Highlands & Islands, it was not possible to establish impacts in a similar way, and the evaluators concluded that:

> *"The available evidence suggests that in general overall levels of GDP have increased in the assisted Objective 1 micro-regions, although not sufficiently to improve the performance of the regions relative to European or national averages, It is unlikely that Objective 1 was a substantial contributor to this, although evidence in either direction is scarce."*[54]

Figures for employment impacts were calculated for a sample of these micro-regions. Net job creation was recorded as 7,500 in Flevoland (Netherlands) and 15,359 in Merseyside. The Hainaut programme was believed to "compensate for the expected reduction of 11,500 jobs in the manufacturing industry by 1999 and the loss of 14,300 jobs by 2005"[55]. In Burgenland (Austria), gross employment creation was estimated at 2,387 although this was considered to be an underestimate.

Looking beyond the 1994-99 period, the Commission has argued that Objective 1 funding has been a major factor in explaining the convergence of the poorest countries and regions of the EU during the 1990s, in terms of GDP per head, employment and unemployment[56]. This claim is supported by some academic research; one study, for example, estimated that the impact of the Structural Funds on Objective 1 regions may be in the order of one million additional jobs in 2002 compared to 1998[57]. Other studies have been less positive, casting doubt on the impact of the Structural Funds on labour productivity or total factor productivity in the poorer regions[58] or the sustainability of R&D investment in lagging regions.[59]

In drawing wider lessons from the Objective 1 experience for regional development policies, two issues stand out. First, the direct impacts of Structural Funds programmes in isolation are considered to be modest, with the real, long-term benefits of EU funding on lagging regions likely to depend on broader economic policies and notably on their openness to trade and investment, as demonstrated by the experience of Ireland.[60] Second, the effectiveness of the Funds depends on supportive national policies and an appropriate

[54] *Ibid.* p.16.
[55] *Ibid.* p.180.
[56] European Commission (2004) *A new partnership for cohesion: convergence, competitiveness, cooperation, Third Report on economic and social cohesion*, Office for Official Publications of the European Communities, Luxembourg.
[57] See for example Leonardi R. (2006) The impact and added value of EU Cohesion policy, *Regional Studies* 40(2), 155-166. Martin R. and P. Tyler (2006) Evaluating the impact of the Structural Funds on Objective 1 regions: an exploratory discussion, *Regional Studies* 40(2), 201-210.
[58] Boldrin M. and F. Canova (2001) Europe's regions: income disparities and regional policies, *Economic Policy*, 32, 207-253.
[59] Midelfart-Knarvik K.H. and H.G. Overman (2002) Delocation and European integration: is structural spending justified? *Economic Policy* 17(35), 323-359.
[60] Bradley J., E. Morgenroth and G. Untiedt (2003) *op. cit*.

institutional environment, with a coherent and well-founded strategy and robust project appraisal and selection systems.[61]

(ii) Objective 2 programme evaluation, 1994-99

The two Objective 2 programmes operating in Scotland in 1994-99 – Eastern Scotland and Western Scotland – accounted for almost one fifth of the €5.3 billion allocated to the 13 Objective 2 programmes in the UK, and six percent of allocations to the 82 Objective 2 programmes across the EU. In consequence, the Scottish programmes feature relatively prominently in the ex post evaluation of Objective 2 programme conducted for the Commission by the Centre for Strategy & Evaluation Services in 2003, with Eastern Scotland being one of the regional case studies investigated in depth.[62]

The main conclusion of the evaluation was that the 1994-99 Objective 2 programmes made *"a significant contribution to job and wealth creation, and regional development generally"* (p.vii). Based on monitoring information from regional authorities, it was estimated that some 700,000 gross jobs were created by the programmes across the EU, which was translated into 567,000 net jobs. (see Table 3.5). The Structural Funds cost per gross job was calculated at €13,700 (€22,200 net). Further employment impacts are associated with the number of jobs safeguarded and redistributed.[63] Overall, the performance of the programmes was considered to have enabled a degree of 'catching up' with more prosperous parts of the EU, although the Objective 2 regions continued to lag behind EU averages in key indicators such as increases in economic activity.

Table 3.5: Performance of Objective 2 programmes, 1994-99, gross and net effects

Jobs created and saved (ERDF)	**Gross jobs**	**Net jobs**
Estimate of gross/net jobs created	700,00	567,000
Estimate of gross/net jobs safeguarded	529,000	203,000
Sub-total EDRF	1,229,000	770,000
Jobs redistributed (ESF)		
Number of ESF training beneficiaries (100%)	3,708,000	
Less employees benefiting from training (50%)	1,854,000	
Number of unemployed gaining jobs after training (60%)	1,112,000	667,000
Total – net jobs created, safeguarded and redistributed	**2,241,000**	**1,437,000**

Source: CSES (2003) *op. cit.* p.143

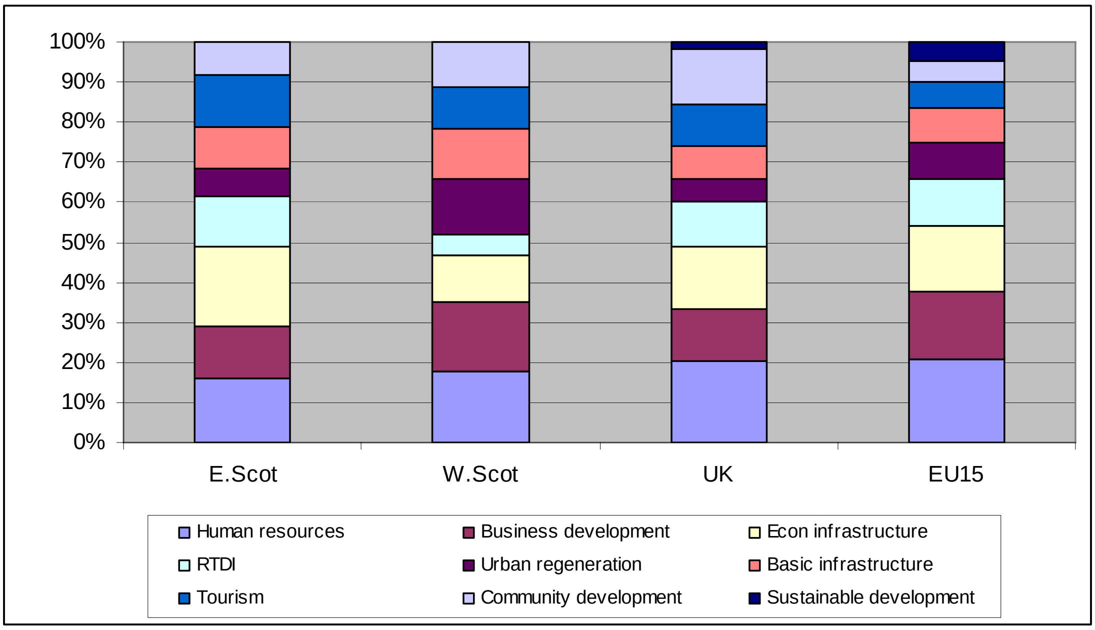
[61] Ederveen S., H. De Groot and R. Nahuis (2002) *Fertile Soil for the Structural Funds? A Panel Data Analysis of the Conditional Effectiveness of European Cohesion Policy*, Discussion Paper No.10, August 2002, CPB Netherlands Bureau for Economic Policy Analysis, The Hague. ECOTEC (2004) *op. cit.*

[62] CSES (2003) *Ex Post Evaluation of 1994-99 Objective 2 Programmes*, Synthesis Report to DG Regional Policy, European Commission, Centre for Strategy & Evaluation Services.

[63] These figures should be treated with care, especially those for jobs safeguarded and jobs redistributed which are considered of doubtful validity. As noted above, the reliability of monitoring data was questionable in the 1994-99 period. Also, job creation related to ESF spending on training programmes could not be calculated. It has also been noted that the evaluation results were not cross-checked against other data (see Baslé M. (2006) Strengths and weaknesses of EU policy evaluation methods: ex post evaluation of Objective 2 1994-99, *Regional Studies*, 40(2), 225-235.)

It is difficult to make comparisons of performance between the Scottish programmes and other Objective 2 programmes, given data limitations. However, some of the data in the CSES evaluation suggest that levels of job creation may have been lower, and costs per job may have been higher, in the Eastern and Western Scotland programmes than the UK and EU averages. An important explanatory factor is likely to be the structure of Structural Funds spending in Scotland. This applies particularly to the Western Scotland programme which placed more emphasis on ESF support than any other UK programme and significantly more than the EU Objective 2 average. It also focused planned spending more on community development, basic infrastructure and urban regeneration than other programmes, all of which have less scope for major employment impacts in the short term (see **Figure 3.1**).

Figure 3.1: Planned allocations of Structural Funds resources for 1994-1996 Objective 2 programmes



Source: Bachtler J, Taylor S and Kearney C (1996) *Extended synthesis of agreed Single Programming Documents in Objective 2 Areas,* 1994-96, Final report to DGXVI, European Commission, European Policies Research Centre, University of Strathclyde, Glasgow.

(iii) Objective 5b programme evaluation, 1994-99

The four Scottish Objective 5b programmes in 1994-99 – The Borders, Dumfries & Galloway, North & West Grampian, Rural Stirling & Tayside - accounted for 18 percent of Structural Funds spending under 11 programmes in the UK. The Objective 5b programmes were not systematically subject to ex post evaluation at UK or EU levels, but some comparative insights can be gained from the PACEC review of intermediate evaluations conducted at the mid point of the 1994-99 period.[64]

The evaluation indicates that a distinctive feature of the Scottish programmes was the strong emphasis placed on business support (see Table 3.6), especially in the Rural Stirling & Tayside and the North & West Grampian programmes where more than twice the UK average was allocated to this field of intervention (and three times the proportion allocated by the English programmes). Spending on tourism was also much higher than the other UK programmes in these areas. In The Borders and Dumfries & Galloway, the allocations for infrastructure investment and R&D were significantly higher than the UK average.

The high allocations to business support were considered by PACEC to be responsible for the major job creation impacts of some of the Scottish programmes. Of the 15,503 jobs created/safeguarded in the UK by seven of the Objective 5b programmes at the mid-point of the programme period, one quarter (3,398) were recorded as being created/safeguarded in Dumfries & Galloway, and a further 12 percent in North & West Grampian and Rural Stirling & Tayside.

Table 3.6: Planned expenditure by programme area in Objective 5(b) programmes

Planned expenditure (% of programme)	Rural Stirling & Tayside	N & West Grampian	The Borders	Dumfries & Galloway	UK total
Business support	34.2	38.7	24.3	27.7	16.3
Infrastructure, R&D	0	7.7	25.7	33.4	21.5
Tourism	30.0	20.5	8.3	7.4	12.2
Agriculture support	4.0	8.1	6.7	9.6	9.7
Training	19.6	15.3	19.3	13.1	15.6
Conservation	8.5	4.0	0	3.8	5.2
Environment	0	0	14.0	0	3.8
Local regeneration	2.5	5.0	0	3.4	7.3
Technical assistance	1.2	0.8	1.7	1.5	3.6
Total	100	100	100	100	100

Source: PACEC (1998) *op. cit.* pp.34-35.

(iv) Objective 1 and 2 programme evaluation, 2000-06

At this stage, no ex post evaluations of the 2000-06 programmes have yet been conducted. Mid-term evaluations were undertaken of all programmes in 2003-04 but these were generally assessments of programme progress (in terms of results and outputs rather than impacts) and the efficiency of implementation arrangements. The European Commission has produced a review of the mid-term evaluations focusing heavily on the evaluation process rather than the results.[65] In the absence of a systematic comparison of outcomes, the evaluation could only conclude that (p.40):

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[64] PACEC (1998) *Synthesis of the intermediate evaluations of Objective 5(b) programmes, Final Report to DG VI*, European Commission, Public and Corporate Economic Consultants (PACEC), Cambridge.
[65] European Commission (2004) *The mid-term evaluations in Objective 1 and 2 Regions: growing evaluation capacity*, Final Report, DG Regional Policy, Evaluation Unit, Brussels.

> *"a significant amount of activity is now underway in Objective 1 and 2 regions. However, due to the late start-up of some programmes and weaknesses in the indicators, target setting and data collection systems, it is not possible to draw conclusions on aggregate performance across programmes and Member States".*

UK strategies were largely perceived to be 'sound', with implementation systems considered to be substantially better than in the previous programme period and a strong emphasis on partnership. With respect to the content of programmes, the UK Objective 2 programmes generally placed a stronger emphasis on social inclusion than other EU programmes; the need for financial engineering measures was sometimes questionable; and the delivery of the 'horizontal themes' (equal opportunities and environment) was causing difficulties.

There were few specific references to the Scottish programmes. It was noted that the Highlands & Islands programme had been making good progress under some priorities and measures but had been experiencing low take-up of RTDI support. The transnational exchange of experience, between the East of Scotland and Western Scotland programmes and the Nordrhein-Westfalen programme, concerning the mainstreaming of the horizontal themes, was commended.

(v) Thematic evaluation of programmes, 1994-2006

In addition, to the regional evaluations of Structural Funds discussed above, the Commission has also undertaken a series of 'thematic evaluations' over the past decade which provide international and comparative insights on the performance of the Scottish programmes. Three issues should be noted, relating to support for SMEs, RTDI and the information society.

*Strength of SME support mechanisms***.** The Commission's evaluation of the impact of SME support through Structural Funds programmes[66] noted the long-established mechanisms for providing targeted support to SMEs in Scotland, notably through the development agencies and local enterprise companies.[67] The Highlands & Islands programme was one of 11 Objective 1 case studies in the evaluation, which highlighted three main aspects of the programme.

First, the study drew attention to the extensive investment in the ICT infrastructure for SMEs. The Western Isles Advisory Service, Skye Telematics Centre, West Moray Telematics scheme, and (to a certain extent) the University of the Highlands & Islands project were cited as positive examples of locally-oriented and targeted support to introduce IT into SMEs and provide appropriate training. Second, the evaluation noted that there was mixed experience with financial engineering instruments. Highlands & Islands Venture was seen as a good example of how finance and advisory support can be combined as well as illustrating the lessons of 'hands on' monitoring of SMEs (notwithstanding the high risk element

[66] Ernst & Young (1999) *Thematic Evaluation of Structural Funds Impacts on SMEs*, Final Report to DGXVI European Commission, Ernst & Young, London.

[67] The attention given to thematic research on business support in Western Scotland was also commended.

demonstrated by the failure rate). On the other hand, the lack of success of Highlands Equity Capital was also seen to have lessons for other programmes, the poor performance being attributed to the high cost of capital. Third, the programme exemplified pro-active marketing, networks and customised training for SMEs, with the support for workplace training for SMEs seen as good way of promoting lifetime learning. The Advance Graduate Placement Scheme was also mentioned. However, the MARK (Market Research Project) scheme was perceived as an illustration of the problems associated with SME networking, the long lead time considered to be due to the reluctance of SMEs to network because of their isolation and suspicion of competition.

Prioritisation of research, technological development and innovation (RTDI). The Western Scotland programme was perceived to have accorded a relatively low level of importance to research and innovation during the 1994-99 period. In the first part of the period (1994-96), the allocations to RTDI were estimated at 6.5 percent of the programme budget, compared to over 14 percent for the UK and EU15 as a whole.[68] For 1997-99, research by the Urban and Regional Policy Research Institute calculated that 'technology' had a share of 9.4 percent of the Western Scotland programme budget, considerable lower than other UK Objective 2 programmes, whose shares of technology spending ranged from 13.4 percent (Yorkshire & Humber) to 25.4 percent (Eastern Scotland).[69]

The lack of a specific RTDI priority in Western Scotland during the 1994-99 period was criticised by the Commission's thematic evaluation of RTDI[70]; it stated that spreading research and innovation funding across different priorities (characteristic also of some other Objective 2 regions such as Nordrhein-Westfalen) could indicate a lack of strategic coherence, although it could be compensated by efficient delivery mechanisms. (The strength of the specialised, partnership-based approach for delivering innovation support through Structural Funds in Scotland was subsequently acknowledged in a later evaluation as offering *"the advantage of…a one-stop for funding applications"*.[71])

Similar points were made with respect to the Highlands & Islands 1994-99 programme by the parallel evaluation of RDTI in Objective 1 and 6 regions.[72] The programme was said to suffer from *"dispersion and lack of clear focus"* (p.222), RTDI impacts on the economy were

[68] Bachtler J., S. Taylor and C. Kearney (1996) *Extended synthesis of agreed Single Programming Documents in Objective 2 Areas,* 1994-96, Final report to DGXVI, European Commission, European Policies Research Centre, University of Strathclyde, Glasgow.
[69] Quoted in: Armstrong H. and Wells P. (2006) Structural Funds and the evaluation of community economic development in the UK: a critical perspective, *Regional Studies*, 40(2), 259-272.
[70] ADE, Enterprise PLC and ZENIT (1999) *Evaluation of Research, Technological Development and Innovation related actions under Structural Funds (Objective 2),* Final Report to DG XVI, European Commission.
[71] Technopolis (2006) *Strategic Evaluation on Innovation and the knowledge based economy in relation to the Structural and Cohesion Funds, for the programming period 2007-2013*, Final report to DG REGIO, European Commission, Technopolis Ltd, Athens.
[72] CIRCA (1999) *Impact of Structural Funds 1994-1999 on research, technology development and innovation (RDTI) in Objective 1 and 6 regions*, Final report to DGXVI, European Commission, CIRCA Group Europe Ltd, Dublin.

likely to be limited and a clearer strategy for RTDI was needed, in particular to develop an RTDI culture and exploit opportunities in tourism and the marine sector.[73]

Some of these issues were addressed again in 2005 by the Commission evaluation of the contribution of Structural Funds to the Lisbon strategy.[74] The Western Scotland programme was one of 11 case studies of the 2000-06 programmes included in the evaluation, which scored the programme as having a 'high level of complementarity' between the Lisbon objectives and Structural Funds in most fields. Some 68 percent of Structural Funds expenditure in the programme was considered relevant for the Lisbon Strategy, the most important fields of intervention being social inclusion, business development, R&D and the information infrastructure. It was also noted that the Scottish Executive *Framework for Economic Development in Scotland* and the Scottish Enterprise *Smart Successful Scotland* strategies were likely to lead to a significant increase in spending on Lisbon-relevant fields, given their emphasis on exploitation of the knowledge economy.[75]

Importance of support for the information society. At the start of the 2000-06 period, a Commission evaluation attempted to assess the support given to the information society and the management and implementation arrangements being put in place.[76] Both the East of Scotland and the Highlands & Islands programmes were in the 'top 20 regions' for per capita spend on ICT, with figures of €102.3 per head and €98.4 per head, out of a census of 70 regions, with per capita expenditure ranging from €357.8 (Border Midlands Western region, Ireland) to €0.6 (Lower Saxony, Germany).[77] The picture was more mixed for the evaluation's assessment of implementation arrangements, which scored a sample of 47 programmes according to five criteria: programme management, decision-making processes; appropriate of information society investments; mainstreaming with other policies; and the quality of implementation proposals. While the Highlands & Islands programme was given the ninth-highest score (79.4 out of 100), the East of Scotland programme was ranked with one of the lowest scores (39).

3.6.3 International assessment of Structural Funds added value

Several aspects of the added value identified in the Scottish context are reflected in experiences of Structural Funds in other parts of the UK and across the EU. Drawing on an EPRC comparative assessment of added value in the 1994-99 and 2000-06 period[78], together with other evidence, it is possible to make the following observations.

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[73] However, it should be noted that both the Objective 1 and Objective 2 evaluations appear to have based their judgements of the Scottish programmes on desk research; neither the Highlands & Islands nor Western Scotland were selected as case studies.

[74] Danish Technological Institute (2005*) Thematic Evaluation of the Structural Funds' Contributions to the Lisbon Strategy*, Synthesis Report to DG Regional Policy, European Commission, Danish Technological Institute, Copenhagen.

[75] The tax breaks for R&D introduced in 2003 by the UK Chancellor of the Exchequer were also perceived to be important in this respect. A broader assessment of innovation strengths/weaknesses in Scotland factors were highlighted in the later Structural Funds evaluation by Technopolis (2006) *op. cit.*

[76] Technopolis (2002) *Thematic evaluation of the information society*, Final report to DG REGIO, European Commission, Technopolis Ltd, Athens.

[77] The South of Scotland programme was recorded as having ICT spend of €9.2 per head.

[78] Bachtler J. and S. Taylor (2003) *op. cit.*

(i) Additional resources for economic development

As noted above, Structural Funds programmes had tangible net economic impacts in the cohesion countries and other large Objective 1 regions. Outside these areas, the economic impacts were difficult to quantify. However, the Funds have clearly enabled additional economic development activity to take place, and there is evidence of programmes improving the quality of economic development and acting as a catalyst for regeneration.

Programmes have influenced the deployment of resources for economic development, in particular at local level. They have enabled a wider range of organisations to engage in economic development and focused intervention on the needier areas. The Funds have safeguarded or increased the level of domestic regional development spending, and encouraged forward-looking regional development strategies. As the UK assessment of added value noted:[79] *"there is evidence that availability of Structural Funds encourages partners to 'think big' and undertake sub-regional projects that might otherwise not occur."* However, it was also felt that the same effects could have been achieved with additional domestic resources.

(ii) Giving a profile to 'Europe'

It has been argued that an important intangible effect of the Structural Funds is to make the EU more visible to citizens, communities, businesses and public authorities. Among the perceived benefits is stronger support for European economic and political integration. There are tangible outcomes in terms of the encouragement given to regional and local organisations to become involved in European political and policy debates and to 'internationalise' their operations. This is disputed by the UK added value study which did not consider that Structural Funds had a significant role in highlighting the benefits of EU membership.

(iii) Promoting strategic thinking

There is considerable evidence that the EU programming approach has promoted a strategic dimension in regional development policymaking. Regional development has become more integrated and coherent, through the multi-sectoral and geographically focused approach of programmes. Multi-annual programming periods have also provided a more stable policy environment, allowing longer term planning, as well as protecting funding for economic development from 'budgetary pressures' In several Member States, there is evidence that the lessons of EU programming are being transferred into domestic policies.[80]

There is mixed evidence of the influence of Structural Funds on domestic policy priorities. For the most part, EU programmes do not appear to have 'bent' expenditure against the direction of national policy trends. However, they have played an important part in pioneering new types of intervention (in areas such as community economic development[81]

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[79] ECOTEC (2003) *op. cit.*
[80] Mairate A. (2006) *op. cit.*
[81] While community development interventions have progressively become a mainstream part of EU Structural Funds (and domestic policy) programmes, it has been noted that the economic impact of such interventions has been difficult to verify. See for example: EKOS (2005) *The impact and added*

and the horizontal themes) and have been associated with institutional innovations in the management of regional development. In England, the EU programmes were said to have devoted a larger proportion of programme budgets to business support and concentrated resources on target companies such as SMEs and high technology businesses.[82] Over time, this thinking has been absorbed into domestic policies; thus, the 2003 assessment of added value across the UK concluded that:[83]

> *"the primary policy effect of the Structural Funds has been in reinforcing domestic policies in designated areas, such as labour market policies…..Whilst the Structural Funds have demonstrated their capacity to promote new policy approaches in some domains, the contribution of Structural Funds programmes to policy development in the UK appears to have declined over time".*

(iv) Encouraging partnership and accountability

The most frequently cited area of added value associated with the Structural Funds is partnership. Evaluation studies generally conclude that this fundamental principle of Structural Funds programming has brought enhanced transparency, co-operation and co-ordination to the design and delivery of regional development policy, and better quality regional development interventions as a result.

The partnership principle is implemented in different ways across the EU. According to the Commission's thematic evaluation of partnership, the commonly perceived benefits of partnership are improved vertical coherence, stronger involvement of local actors, a greater awareness of the 'bigger picture', collaborative working and co-operation on economic development initiatives, improved decision-making in the management of economic development interventions (e.g. project selection) and opportunities for exchange of experience.[84] Academic research has presented Structural Funds partnerships (at least in the mid-1990s) as pioneering new, creative and vibrant forms of governance[85] and offering a *"positive learning experience…and that the participants have then been able to apply the lessons in other areas of activity"*.[86]

Interestingly, the ECOTEC evaluation of Objective 1 programmes[87] argued that institutional arrangements in the UK during the 1990s constrained the regional partnership potential of the programmes, partly because the *"UK government kept a very tight rein on the content of the programmes"* (p.72 UK report) and partly (in the case of the Highlands & Islands) because local government reform limited the capacity of local authorities to develop and

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value of EU Structural Funds in Yorkshire and the Humber, Report to Yorkshire Forward, EKOS Consulting; and: Armstrong H. and P. Wells (2006) *op. cit.*

[82] EKOS (2005) *op. cit.*

[83] ECOTEC (2003) *op. cit.* p.iii

[84] Tavistock Institute (1997) *Thematic evaluation of the partnership principle, Report to DGXVI, European Commission*, Tavistock Institute, London.

[85] Bachtler J. and I. Turok (1997) *The coherence of EU regional policy: contrasting perspective non the Structural Funds,* Jessica Kingsley Publishers, London.

[86] Roberts P. (2003) Partnerships, programmes and the promotion of regional development: an evaluation of the operation of the Structural Funds regional programmes, *Progress in Planning*, 59(1), 1-69.

[87] ECOTEC (2004) *op. cit.*

implement projects. Nevertheless, it was noted that the partnership principle was "highly influential" (p.74) in the UK, in particular by enabling a sharing of responsibility among local agencies such as the community, voluntary and private sectors. This level of partnership was considered to more developed than in some other Member States and was greater than in the preceding 1989-93 period. In 2003, the UK added value study agreed that partnership was a valued feature of the system but concluded that the advantages were limited compared with domestic programmes.

Further operational benefits derive from the exceptional emphasis placed on monitoring and evaluation in Structural Funds programming. These practices have been formally embedded into the regulatory frameworks, encouraging the generation of comprehensive analytical information about all programmes at key points in the programming cycle. The practices not only fulfil transparency and accountability needs but also supply management information to guide the strategic steering and effective management of programmes. In Sweden, the introduction of Structural Funds was described as a "cultural revolution" in policy thinking and practice,[88] with evaluation serving (p.16) *"as a catalyst…by emphasising issues such as programme discipline, partnership, stringency in project selection and assessment, financial control, and monitoring".* Similar observations have been made about the influence of Structural Funds evaluation by policymakers in Austria[89] and Italy.[90]

Lastly, operational added value has also been derived from the strong culture of control and audit which is integral to Structural Funds programming, and the use of performance-related incentives to encourage good management (key examples here being the performance reserve fund and the 'n+2' automatic decommitment rule applied in the 2000-06 period for the first time).

There were also problematic aspects of operating the Structural Funds that detracted from their operational value. In both the 1994-99 and 2000-06 periods, there was serious concern that the bureaucracy associated with programming was excessively complex, demanding and costly. The eligible Objective 2 areas were often small, fragmented and lacking in coherence for effective regional development. Indeed, evaluation studies suggested that programmes may have been too risk averse as a result of the pressure to spend.

3.7 The key findings of this section

Extensive efforts have been made throughout the EU to develop systems and methods for assessing the impact of Cohesion policy funding. Macroeconomic models are used in Member States where EU funding is very large (e.g. 3-4 percent of GDP). In the rest of the EU, including Scotland, the main emphasis is on monitoring the outputs and results of funding, and on evaluating effects through the use of case studies.

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[88] Aalbu H. (1998) *The Structural Funds as an agent for system changes: a mid-term evaluation Sweden's Objective 6 programme*, Nordregio Working Paper No. 2, Stockholm.
[89] Huber W. (2006) Evaluation of EU Cohesion policy: window-dressing, formal exercise or coordinated learning process? *Regional Studies*, 40(2), 277-280.
[90] Barca F. (2006) EU evaluation between myth and reality: reflections on the Italian experience, *Regional Studies*, 40(2), 273-276.

There are, however, some limits on information from monitoring systems and evaluations. In the 1994-99 period, monitoring systems in Scotland (in common with the rest of the EU) had distinct limitations, not least in terms of target-setting and data collection, leading to weaknesses in the availability and quality of monitoring data. In addition, the ex post evaluation for the UK's Objective 1 programmes in 1994-99 did not include the Highlands & Islands as a case study, and thus provides only limited information on its performance.

In the 2000-06 period, Scotland's monitoring systems were improved, with the same core set of indicators and units of measurement used across all programmes. However, most programmes will not finish until the end of 2008, so that monitoring data are incomplete. The ex post evaluations for 2000-06 will not be finished until the end of 2009.

While caution is needed in the use of monitoring data, particularly for the 1994-99 period, quantitative information show a number of positive effects, including:

- assistance for businesses, via the provision of both funding and advisory/technical services (estimated at around 81,000 firms in 1994-99, and around 72,700 firms by the end of 2005 in the 2000-06 period);

- contributions to the creation and safeguarding of gross jobs, estimated at around 114,300 in 1994-99 (jobs created and safeguarded), and around 60,300 (jobs created only) by the end of 2005 for the 2000-06 period; and

- support for the creation of net jobs, estimated between 27,600 and 29,900 by the end of 2005 for the 2000-06 period.

The difference between 'gross' and 'net' jobs is that the latter figures aim to take account of (negative) deadweight, displacement and substitution effects, as well as (positive) multiplier effects. Although net job figures are estimates, they are likely to provide a more realistic assessment of employment effects than do gross figures.

However, quantitative data do not provide a comprehensive picture of the effects of Structural Funds programmes. In particular, these programmes aim to encourage long-term structural change, so that their full effects on, for example, job creation or business productivity may not be evident within the lifetime of the programmes.

Evaluations and studies of Structural Funds programmes in Scotland find a number of positive qualitative impacts, notably:

- multi-annual earmarking of development funding for specific locations, social groups and types of intervention;

- as a consequence, in certain locations and policy-fields, the funding of more projects and larger projects, and more rapid completion of projects;

- the levering-in of additional finance from other external sources;

- the encouragement of new project ideas or better project quality, through EU rules, approaches and exchange of experience; and
- improvements in the strategic orientation, efficiency and openness to new ideas of programme partners and project holders.

Evaluations also note some negative effects, notably the additional bureaucracy and complexity of the Structural Funds approach when compared with domestic programmes. Problematic procedures include: project applications and appraisal; project claims and payment processes; monitoring requirements; delays in payments; eligibility constraints on projects or final beneficiaries; and the implementation of horizontal themes.

From an international perspective, EU-level studies on the economic impact of Structural Funds programmes in Member States with the highest per capita allocations (Greece, Spain, Ireland and Portugal in 1994-2006) generally find positive effects on overall income levels. However, impact depends on factors such as the degree of openness to external trade and investment; the extent of supportive macroeconomic policies and institutional frameworks; and the efficient implementation of a coherent and well-designed Cohesion policy strategy.

There is also evidence of positive microeconomic impacts in smaller Objective 1 regions, as well as under other Objectives, although the data in these cases are usually more limited and there is stronger reliance on qualitative case study evidence.

International studies suggest that the Structural Funds programmes have played important roles in:

- providing additional resources for economic development;
- giving a profile to 'Europe';
- promoting strategic thinking; and
- encouraging partnership and accountability.

4. THE EFFECTS OF SELECTED 'GOOD PRACTICE' PROJECTS IN SCOTLAND

4.1 Introduction

The final task for this study is to provide some insights into the 'good practice' effects of selected projects which have received EU funding. This section analyses the effects of five Structural Funds projects, one in each of the five sets of programmes implemented in Scotland in 1994-2006. The projects are:

- Highlands & Islands: The Small Isles and Inverie Ferry Service;
- East of Scotland: The Scottish Co-Investment Fund and the Sigma Innovation Fund;
- South of Scotland: Regeneration of the Crichton Estate, Dumfries;
- Western Scotland: The Atrium Business Centre, Coatbridge; and
- Objective 3: The Quest for Employment Initiative, West Fife.

The following section examines how the projects were selected, and the subsequent five sections provide a quantitative and qualitative assessment of each of the five projects, as well as an analysis of the added value generated by the Structural Funds. Section 5.8 aims to draw out lessons from the case studies for the programmes as a whole and the final section summarises the key issues raised throughout Section 5.

4.2 How the projects were selected

In accordance with the remit of the study, the research team aimed to select at least four major Structural Funds projects across Scotland which were seen to provide evidence of good practice. The goal was to focus on projects which were broadly representative of Structural Funds programmes in Scotland, and which provided evidence of positive, longer-term effects, as well as possible lessons for other projects.

In order to ensure that the projects selected would be representative of the programmes as a whole, the research team set a number of initial selection criteria, namely that:

- one project would be selected from each set of programmes;
- projects would be selected from a range of geographical areas;
- projects would reflect the diversity of thematic interventions covered by the programmes, particularly infrastructure, active labour market policies, business services/infrastructure/funding, innovation, and community development; and
- projects would take account of the various approaches to implementation taken by the programmes, including the types of project sponsor, the kinds of partners involved, and the methods used for channelling funding to the final beneficiaries.

On the basis of existing knowledge of the Scottish programmes, the team also drew up an initial match between each programme and each major spending category. This match was broadly retained in the final selection of projects:

- Objective 3 programmes: active labour market policies, possibly with a social inclusion dimension (because this is the sole thematic focus of these programmes);
- Highlands & Islands: transport or other core infrastructure (due to the importance of such interventions in these programmes, which is typical of Objective 1 regions);
- Western Scotland: business-oriented community regeneration (due to the programmes' emphasis on these themes);
- East of Scotland: technology transfer or support for business innovation; and
- South of Scotland: combined provision of business services and infrastructure.

The team then examined available evaluations, Annual Implementation Reports and other studies of the programmes for information on projects within the selected categories. As the call for tender emphasised that the study should focus on 'major' projects, the team concentrated on the programmes' larger projects. The aim was both to identify possible case studies and to eliminate projects which had already been extensively studied. This filter had the effect of excluding some of the best-known projects co-financed by the programmes. In the Highlands & Islands, for example, major projects include the Western Isles spinal transport link, the University of the Highlands & Islands, and the region's broadband connections. Each of these has had a larger effect on the economy of the Highlands & Islands as a whole than has the project selected – which has, however, been of considerable importance to the Small Isles and Knoydart.

Discussions were then held with staff in the PMEs, with a view to identifying which of the projects listed in the evaluations and reports would provide clear evidence of good practice, as well as broader lessons for the programmes as a whole. The aim was to identify projects which were seen to have:

- brought clear socio-economic benefits, whether in terms of quantifiable effects or more qualitative impacts such as improvements in the broad context for private sector activity, or in a location's image;
- generated a long-term legacy, either directly or by providing a basis for further developmental action; preference was thus given to projects which had either begun in the 1994-99 programming period or had built on earlier actions undertaken in 1994-99;
- addressed the needs of socio-economic groups or locations which were perceived to be neglected by domestic policies;

- facilitated access to funding from other public or private sources, leading to an overall increase in development spending in a specific location or on a certain type of intervention;
- provided a focus for local strategic collective action, for example by encouraging cooperation among actors, a longer term approach, or an orientation towards more strategic goals;
- led to a more efficient approach, for example due to Structural Funds requirements on project planning, costing and monitoring; and
- encouraged the introduction of approaches which were seen as too novel or risky to be financed through mainstream public mechanisms.

The final phase of project selection was also subject to practical considerations. A key issue was the short time-scale available for this study, as it had to be completed within two months (which included the Christmas and New Year holidays). It was therefore important that the sponsors of the projects selected would be available and willing to discuss the projects at relatively short notice, and to agree to the PMEs releasing detailed information on the project from their files.

4.3 Highlands & Islands: The Small Isles and Inverie Ferry Service

4.3.1 The significance of this group of projects

The Small Isles and Inverie Ferry Service group of projects has made a significant contribution to the regeneration of a set of very sparsely-populated and very fragile rural communities, and has thus underpinned longer-term community viability and dynamism in West Lochaber. The projects have helped transform ferry links to Rum, Eigg, Muck and Canna, as well as to Inverie on the Knoydart peninsula. These projects are also interlinked with other Structural Funds co-financed interventions in this area. First, the upgrading of the A830 Mallaig road to twin-track status is further improving access between key mainland centres and the Small Isles/Inverie. Second, enhanced access has made other projects viable, including the Isle of Eigg electrification project, as well as various tourism, community and environmental projects in the area.

Before this investment, Muck, Rum and Eigg were the last locations in Scotland where flit boats (small tenders) were used to transfer goods and passengers from the ferry to shore. Not only did the use of flit boat have obvious health and safety implications but the unreliability and difficulty of the service was seen to contribute to ongoing population decline. The Small Isles and Inverie Ferry Service projects involved:

- the construction of new slipways plus shore-based facilities on Muck and Rum, as well as a new ferry (1994-99 programme); and
- infrastructure improvements on Eigg (slipway, shore-based facilities), plus slipway improvements on Canna and at Inverie (2000-06 programme).

Table 4.1: Funding packages to the Small Isles and Inverie Ferry Service projects (£000)

Title	Total costs	Eligible costs	ERDF % of eligible costs	Highland Council	Scottish Office / Executive	Scottish Natural Heritage	National Trust Scotland	Highlands & Islands Transport Partnership	Caledonian Macbrayne
Phase 1: Rum, Muck	5,802	5,740	25%	997 (935)	2,840	530	-	-	-
Phase 2: New Ferry	5,022	5,013	25%	-	-	-	-	-	3,769 (3,759)
Phase 3: Eigg	7,815	7,741	37%	910 (836)	4,064	-	-	-	-
Phase 4: Inverie	6,500	6,500	25%	1,219	3,656	-	-	-	-
Phase 5: Canna	4,248	3,615	12%	150	2,765	-	(633)	259	-

Notes: (a) A blank cell indicates that the organisation in question was not involved in that phase of the project. (b) Figures outside brackets are contributions to total costs, while figures in brackets are contributions to eligible costs.

Source: Highlands & Islands Partnership Programme.

Table 4.1 shows the cost of these projects, with EU ERDF funding representing 12 percent of eligible costs for the Canna project, 25 percent for the infrastructure on Rum, Muck and Inverie, as well as for the new ferry, and around 37 percent for the Eigg project. The table also illustrates the range of partners which contributed financially to the projects.

4.3.2 The quantitative effects of these projects

Table 4.2 draws on monitoring data to show the quantitative results achieved through these projects. The number of jobs created/safeguarded and the amount of new traffic generated are low relative to the scale of costs due to the limited number of people living in the area, as well as to the higher cost ratios of projects typical of peripheral and sparsely populated areas. Construction costs in this area are estimated at around 2.5 times the average rates in the Central Belt due, for example, to the physical and time constraints related to access, as well as to the need to bring in workers with specialist skills.

Table 4.2: The outputs and results of the Small Isles and Inverie Ferry Service projects

Outputs and results	**Phase 1: Rum & Muck**	**Phase 3: Eigg**	**Phase 4: Inverie**	**Phase 5: Canna**
Km of local roads constructed	0.6 (0.6)	(0.6)		
Reduction in journey time (minutes)		30 (30)	12 (12)	
No. of additional commercial vehicles		23 (23)		
Increase in no. of sea containers transported per year			2.5* (15)	
No. of construction jobs	10.3 (12.3)			
No. of gross FTE construction jobs			9.3* (10.8)	4* (6)
Total no. of gross new jobs created		13 (13)		
Total no. of gross jobs safeguarded			10 (10)	

Notes: (a) Data marked with a star * are not final. (b) Ex ante targets are shown in brackets.

Source: Highlands & Islands (Scotland) Structural Funds Partnership.

The issue of value for money was indeed a key obstacle to the domestic provision of funding to these projects. The need for a comprehensive solution to the access problems of the Small Isles and Inverie was recognised by the early 1990s, not least by a Scottish Office Steering Group. There were, however, questions over the scale of costs, relative to the number of individuals benefiting directly.

This issue was extensively debated during the project preparation and selection phases. Although the Highlands & Islands Structural Funds programmes have primarily focused on developing more fragile areas, it has not been typical to make an investment of this scale for such small communities. However, there was strong backing for the projects from a range of public agencies (including Scottish Office/Executive, Highland Council, Lochaber Enterprise, National Trust for Scotland, and Scottish Natural Heritage), as well as from the communities themselves. In order to encourage a value for money approach and the leverage of funding from other agencies, the rate of Structural Funds co-financing was set relatively low, at 25 percent for the package of projects.

4.3.3 *The qualitative effects of these projects*

(i) The short-term effects

By improving access, these projects have brought a number of immediate benefits to the area, in terms of facilitating economic development and improving quality of life.

Tourism is starting to develop, as the ferry connection now allows day-trippers to visit the Isles and Inverie, and encourages more over-night stays. Improved access, for example, has contributed to the increase in visitor numbers to Kinloch Castle on Rum (in addition to a relaxation of rules on visiting the island). It has also allowed for small-scale tourist accommodation and services to become more viable, for example on Eigg and at Inverie.

The new ferry services also mean that there is less pressure on individuals to leave the area, for example in order to gain access to public services. Elderly people are now better able to remain living in these areas, rather than moving away. The new services may also reduce the high turnover of the population on Rum, which is almost entirely made up of Scottish Natural Heritage staff.

In practical terms, improved access means that it is now possible:

- for telecoms engineers to cross to the islands, make repairs and return to the mainland on the same day (previously two to four days);
- for livestock to be transported by float/lorry (previously loose on a landing craft);
- for skips of waste to be collected every three to four weeks, with separation of recyclables (previously waste was not processed or recycled);
- for pallets of foodstuffs and general goods to be driven ashore (previously boxes of goods were manhandled from boat to boat); and
- for house building to go ahead on the islands, as builders now have vehicle access.

(ii) The longer term importance

These projects can also be seen as a catalyst to development because they have put in place the basic infrastructure which was needed before other community-based or business activities could be viable. These effects should be further enhanced by the upgrade of the A830 road between Arisaig and Loch nan Uamh in 2006-08 to allow for two-way traffic, which is also being co-financed by the 2000-06 Structural Funds programme. This upgrade to a key stretch of road is needed due to concerns over road safety, broader safety issues related to emergency service access, and also economic development. (A previous phase of the upgrade of the A830 [Polnish Bridge to Loch nan Uamh] was co-financed under the 1994-99 Objective 1 programme.)

These infrastructure improvements also enhance the viability of other initiatives, such as the following.

- New development plans for Canna and Rum, produced by the islands' respective owners, namely the National Trust for Scotland and Scottish Natural Heritage. These plans are seen to have generated a new dynamic in these communities.

- The Isle of Eigg Electrification project, managed by the community-owned Isle of Eigg Heritage Trust, which aims to provide a steady electricity supply plus revenue for community projects. The project was co-financed by the Scottish Community & Householder Renewables Initiative, the Big Lottery, Lochaber Enterprise, Highland Council, the Energy Savings Trust (DTI), the Highlands & Islands Community Energy Company / Scottish Executive, and the Isle of Eigg Heritage Trust.

- The upgrading of Knoydart's Hydro Scheme, which generates hydro-electricity and provides revenue for community projects. The project was co-financed by the ERDF, Highlands & Islands Enterprise, and the Knoydart Foundation itself.

- Consideration of a wind generation project on Muck, which has become a possibility now that improved access has reduced constraints on building.

These developments also need to be understood in the context of structural changes, notably the community buy-outs on Eigg and Knoydart. This shift in land ownership has facilitate the provision of public funding for developing infrastructure and services.

4.3.4 The specific role of the Structural Funds in these projects

It is unlikely that these five projects would have been financed without Structural Funds support within the existing timescale (1998-2006 for actual construction) or that such a high quality, long-term approach would have been taken without EU support.

As noted above, the need for a comprehensive solution to the access problems of the Small Isles and Inverie was widely recognised by the early 1990s, not least by the Scottish Office. However, the projects were seen to represent strong policy risk, due to the large sums involved in respect of a very small population. Structural Funds resources were thus key to meeting the needs of an area where domestic policy had been making only limited headway. Although EU funding covered only 25 percent of costs, it was important in limiting the overall level of risk and thus in ensuring financial contributions from other partners.

Although the quantitative outputs and results are low relative to total costs, the projects can be seen to have been worthwhile in terms of their qualitative effects, notably in ensuring the longer-term viability of communities and economic development in this area.

The decision to take a longer-term, higher-quality approach partly reflected the Structural Funds' emphasis on the need for strategic solutions which leave a legacy. In addition, EU eligibility rules do not allow funding to be allocated for maintenance costs. This was a factor in the decision to construct the ferry access slipways from mass concrete, which should last for 120 years with little need for maintenance, rather than a cheaper alternative with a lifespan of only 15-20 years.

4.4 East of Scotland: The Scottish Co-Investment Fund and the Sigma Innovation Fund

4.4.1 The significance of these Funds

The Scottish Co-Investment Fund and the Sigma Co-Investment Fund aim to address a key challenge facing new and growing small businesses, namely the difficulty in generating resources to finance all aspects of start-up and expansion. This challenge is perceived as particularly acute in the case of technology-oriented start-ups, where the level of both risk and potential growth are high, not least because the business capital is likely to lie in the owner's know-how and innovative capacity, rather than in tangible assets.

Structural Funds intervention was seen to be needed, both because of the potential importance of such firms to Scotland's future growth prospects and because of a lack of private sector instruments. Policy aims to encourage entrepreneurship and to raise Scotland's start-up rate from its current low level per head of population (relative to the UK average).[91] Private sector lending to such firms is often limited. Banks are frequently unwilling to lend to these firms due to the high level of risk, while business angels networks are still relatively under-developed in Scotland, and venture capitalists generally do not provide the smaller amounts of funding needed (up to £500,000).

These projects aimed to mobilise private sector funding and expertise, partly in order to enhance value for money, but also with a view to raising the quality of support for firms, by allowing them to access the business knowledge and skills of private investors. Thus, Structural Funds resources have not simply been used to finance the supply of small-scale risk capital, but also to fund complementary interventions which aim to make investing in start-up companies a more attractive proposition, including:

- LINC Scotland, which aims to support the development of the business angel sector, as well as to broker links between investors and companies seeking finance; and
- Connect Scotland, which brings together technology-oriented businesses and investors, and aims to stimulate the commercialisation of new technological ideas.

These interventions aim to improve investors' capacities to assess technology-oriented businesses and also to improve entrepreneurs' business plans and their awareness of the investment process.

The focus here is on two investment Funds – the Scottish Co-Investment Fund and the Sigma Innovation Fund – which were set up in 2003. Their implementation builds on experience from risk capital funds set up under the 1997-99 Objective 2 programmes. In the East, two funds were created in 1997-99: Eastern Scotland Investments Limited; and the Edinburgh Technology Fund. This period also saw intensive efforts to increase interest among investors, which allowed for new approaches to be taken in the next phase via the Scottish Co-Investment Fund, and also for a reduction in the percentage of public funding.

[91] Scottish Executive (2006c) *Scottish Economic Report*, June 2006, SE/2006/105, Edinburgh.

The Scottish Co-Investment Fund covers the whole of Scotland and can invest up to £500,000 in company finance deals of up to £2 million, with EU funding used to co-finance projects in Objective 1 and 2 areas. It focuses on small and medium-sized enterprises (SMEs) with high growth potential. The public contribution is provided by the ERDF and Scottish Enterprise (with the latter including £20 million of Regional Selective Assistance monies from the Scottish Executive). These public resources are used to match, on a 1:1 basis, the funding provided to firms by individual Co-investment Partners. Firms seeking finance first make contact with one of these 22 Partners, which have been appointed by Scottish Enterprise, and include institutional investors, professional fund managers, business angel syndicates and private investors. The Partner is responsible for assessing and negotiating the investment deal; the investment provided by the partner is then matched by public resources. The Co-investment Partners, therefore, make investment decisions on behalf of the Fund, reducing overheads by eliminating the need for fund management activities. This approach also increases the number of possible investments that can be considered at any one time and allows applications to be examined by more than one investor. In addition, it means that the Fund's representatives can be located in different areas, which improves communication between the Fund and the SME community.

Table 4.3: Financial resources provided to the two Funds

Fund	Total funding	EU funding	Scottish Enterprise	Co-investment Managers	Bank of Scotland	Sigma Technology Investments
Scottish Co-Investment Fund Scotland-wide	£87m	£24.7m	£20m	£42.3m	-	-
Scottish Co-Investment Fund East Scotland	£27.4m	£11.0m	£3.0m	£13.4m	-	-
Sigma Innovation Fund East Scotland	£6m	£2.2m	£0.1m	-	£3.0m	£0.7m

Note: A blank indicates that the organisation in question did not contribute to the Fund.
Source: East of Scotland European Partnership

The Sigma Innovation Fund provides smaller amounts of funding than does the Scottish Co-investment Fund, and has a stronger focus on technology-oriented firms. It can allocate a mix of loan and equity finance in the range £20,000-£299,000, with simplified terms and conditions, to unquoted early-stage and start-up businesses. It also provides advisory and support services to businesses seeking finance. In contrast to the Scottish Co-Investment Fund, the Sigma Fund is managed by a specialist private sector Fund Manager, due to the degree of market failure and limited number of potential investors for such high-risk investments. The focus is on businesses with high-growth potential in technology-oriented sectors such as technology/media/telecoms, biotechnology, environmental technology and electronics. Such businesses traditionally find it hard to raise sufficient capital to meet their needs due to the level of risk for investors, and the Fund's policy is to take higher risk than existing private sector funds. All funding partners share equally in capital subscription in Fund gains and losses. The Fund is active only in the East of Scotland's Objective 2 area (including the area covered by the Transition programme).

4.4.2 The quantitative effects of the Funds

The quantitative outcomes and results of the two Funds in the East of Scotland seem positive, considering that each had allocated only around half of its funding at the time of the assessment, and that their emphasis on small firms with strong future growth potential are likely to limit results in terms of jobs and sales in the early years.

For the Scottish Co-Investment Fund, 30 investments had been undertaken in the East of Scotland by the end of December 2005, amounting to over £2.8 million. The scale of the investments ranged from £25,000 to £350,000, with an average public contribution of £78,000. The public co-financing rate is lower than had been anticipated due to the Investment Partners providing higher than expected funding to the selected investment projects. The Fund is thus seen to have had a stronger than expected leverage effect. In the East of Scotland, businesses receiving support have primarily been in the information technology, biotechnology and medical device sectors.

Table 4.4: The outputs and results of the Funds in the East of Scotland

Outputs and results	**Scottish Co-Investment Fund**		**Sigma Innovation Fund**	
	Targets (revised in 2006)	Results (June 2006)	Targets (set in 2003)	Results (June 2006)
Total no. of existing businesses assisted	52	26	20	9
Total no. of new businesses assisted/ created	21	11	20	2
Total no. of gross new jobs created	343	411	200	48
No. of gross jobs safeguarded			100	79
Increase in sales in existing businesses (£million)	26.7	2.38	23.5	N.A.
Increase in sales in new businesses (£million)	8.54	0.97	23.5	N.A.
Private sector leverage (£million)	17.35	8.21		

Note: Targets are set for the entire period, 2003-08, whereas results are for 2003-06 only.

Source: East of Scotland European Partnership

By September 2006, the Sigma Innovation Fund had financed 11 investments, with a total of £3.05 million, so that over half of the initial capital had been invested in firms. Most successful bidders have sought relatively high levels of investment, of between £250,000 and £300,000, with a view to undertaking significant expansions of their business base and creating new jobs. Investments cover a wide range of sectors, including information technology, biotechnology, electronics and environmental technologies.

4.4.3 The qualitative effects of the Funds

These interventions have succeeded in establishing risk capital funds which address a gap in market provision, notably for smaller-scale investments in growth-oriented SMEs, including start-up and smaller technology oriented companies. Both Funds have succeeded in leveraging a higher level of private sector funding than had initially been anticipated. From a policy perspective, increased participation by private investors in the provision of risk capital is likely both to enhance value for money and to raise efficiency, by drawing on the specialist business and management expertise of private investors.

A key issue has been the accompanying emphasis on changing attitudes and working practices among both firms seeking finance and potential investors, with a view to increasing the availability of private funding to SMEs with growth potential. Shifts in firms' needs and investors' views have been monitored and analysed via external studies and by Scottish Enterprise. This has allowed intervention to be adapted over time, as private sector interest in assessing and financing firms' proposals has increased. Public intervention is thus seen to have shifted the views and activities of actors on financial markets, and facilitated, for example, the emergence of increased numbers of business angels.

The value for money of quasi-public risk capital funds should be greater than that of traditional State aid, partly because they may become ongoing sources of funding. In addition, they may generate efficiency gains through the use of private sector expertise and methods in allocating funding, which should lead to less distorting effects on economic incentives, relative to State aid.

4.4.4 The role of the Structural Funds

Without Structural Funds support, only limited public resources would have been available to stimulate the emergence of equity-based funding for high-risk firms in the East of Scotland. In addition to the EU funding directly involved in the risk capital funds, further Structural Funds resources have co-financed flanking activities aimed at shifting attitudes among entrepreneurs and investors. Structural Funds support is seen to have been particularly important in 1997-99, when the first risk capital funds were set up, and which is seen to have been characterised by intensive learning among all those involved.

The Sigma Innovation Fund could not have been set up without resources from the Structural Funds programme because the finance available from other sources was too limited for the Fund to have been viable. Moreover, the Bank of Scotland's contribution was conditional on other partners providing funding and, despite repeated attempts, it has only been possible to source a relatively small amount of funding from other private investors.

The Scottish Co-Investment Fund would have been set up without the Structural Funds contribution but on a smaller scale. It is estimated that the Fund's total capitalisation for the whole of Scotland would have £40 million (instead of £87 million), with around £5 million earmarked for the East of Scotland (instead of £27.4 million). Thus, the Fund would not have been able to meet the existing level of demand. Moreover, the provision of EU funding is seen to mean that the Fund has taken a slightly less risk-averse approach, allowing four percent of firms' proposals to be financed (rather than three percent).

4.5 South of Scotland: Regeneration of the Crichton Estate, Dumfries

4.5.1 The significance of this initiative

The Crichton Estate in Dumfries has become a major focus for economic regeneration in the south-west of Scotland. Structural Funds resources have made a significant contribution to the site's transformation into a high quality business park and university campus. The initiative has been key in attracting new businesses to locate, both on the site and in the broader area, as it provides access to high quality telecommunications services and also enhances the local availability of higher level skills. It also allows local people to gain university qualifications without leaving the region. Moreover, the higher education operation has generated 900 jobs on the estate and a further 200 jobs in the area, while other jobs have been created, for example, in the site's hotels and conference facilities.

The Crichton Estate was formerly the site of a psychiatric hospital, set up in the early 19th century and closed in 1994. Concerns over the site's break-up led the local authority to purchase the estate with a view to redeveloping it for higher education and business purposes, as well as community use and enjoyment. The estate is now leased to the Crichton Trust, which takes strategic decisions, and sub-let to the Crichton Development Company, which is responsible for day-to-day management. A charity, the Crichton Foundation, supports the project and liaises with the local community.

Since 1995, the Crichton regeneration project has drawn on funding from a range of public and private sources. There has been extensive work to upgrade buildings (including several listed buildings on the site), provide high level telecommunications and electrical networks, and enhance other physical infrastructure, including roads. Further investment has been attracted from businesses, as well as further and higher education colleges, which have located on the Crichton Estate. Structural Funds resources have been used to co-finance a number of completed and ongoing projects, including the Centre for Expertise, Competitiveness and Change, which is to be completed in September 2007, and the Easterbrook Hall, which is due to be finished in May 2007.

Table 4.5: The contribution of EU funding to the Crichton Estate regeneration

Title	Total costs (£000)	EU funding (£000)	EU funding as % of total costs
Crichton-Glasgow IT Link	1,575	350	22.2
Electrical infrastructure	1,228	433	35.2
Road infrastructure	890	231	25.9
Business Park Phase 1	671	210	31.3
Business Park Phase 2	371	79	21.3

Source: EPRC calculations based on data from South of Scotland European Partnership.

The focus here is on five EU co-financed projects which have been completed and which have been key to the site's regeneration:

The Crichton-Glasgow IT Link involved a broadband communications connection, using fibre optic technology, between the Crichton Campus and the network of the telecoms supplier in Glasgow, significantly upgrading the quality of services in the area. The project was funded under the 1994-99 Objective 5b programme (between January 1998 and March 2001) and drew on co-financing from the Crichton Trust, Dumfries & Galloway Enterprise, and the private company, Scottish Telecom.

The site's **electrical infrastructure** also had to be upgraded to secure an adequate and reliable electricity supply to the business park. This involved, for example, modifying one sub-station and establishing two new sub-stations, as well as the installation of a new high voltage ring on site. The project was funded under the 1994-99 Objective 5b programme (between May 1999 and September 2001) and drew on co-financing from the Crichton Trust, and Dumfries & Galloway Enterprise.

The site's **road infrastructure** had to be enhanced due to expected increases in the volume of traffic on the business park. Funding was also provided for car parking provision, street lighting, drainage infrastructure and signage. The project was funded under the 1994-99 Objective 5b programme (between May 1999 and September 2001) and drew on co-financing from the Crichton Trust, and Dumfries & Galloway Enterprise.

Phase 1 of the Crichton Business Park involved the refurbishment of 400 square metres of the business park's Galloway building for call centre use. In addition, it funded the upgrading of general facilities in the business park, including bus shelters and cycle racks. The project was funded under the 2000-06 Objective 2 programme (between November 2000 and December 2006) and drew on co-financing from Scottish Enterprise, Dumfries & Galloway Council, and the Crichton Development Company.

Phase 2 of the Crichton Business Park refurbished an additional 345 square metres of the Galloway building for the call centre, and also enhanced telecoms infrastructure. The project was funded under the 2000-06 Objective 2 programme (between February 2002 and December 2005) and drew on co-financing from the Crichton Development Company.

4.5.2 The quantitative effects of the project

In addition to the outputs outlined in the previous section, Table 4.6 shows that the projects have made a significant contribution to the broader physical regeneration of the site, including the provision of high quality business premises. These have thus been instrumental in attracting new businesses and higher education facilities, and thus in creating and safeguarding jobs in the Dumfries area. The lack of both high-quality business accommodation and university level education had previously been identified as major constraints on the area's economy, and this set of projects contributes significantly to overcoming these weaknesses.

Table 4.6: The outputs and results of the Crichton Estate projects

	Crichton-Glasgow IT Link	Electrical infrastructure	Road infrastructure	Business Park Phase 1	Business Park Phase 2
Ha of industrial land serviced	6 (6)	6 (6)	6 (6)		
Area of premises provided (sqm)				400 (400)	345 (345)
Area of premises occupied after 18 & 36 months (sqm)				400 (400)	345 (345)
No. of new tenants	12 (4)	12 (5)	12 (8)		
No. of units occupied	1 (1)	13 (3)	13 (3)		
No. of jobs created	110 (270)		100	140 (112)	70 (100)
No. of jobs created for women				87 (67)	36 (50)
No. of jobs indirectly safeguarded	0 (250)	124 (80)			

Note: Initial targets are shown in brackets.

Source: South of Scotland European Partnership

4.5.3 The qualitative effects of the project

All projects have been important for regenerating the Crichton Estate as a high-quality business park and university campus, with advanced telecoms links and excellent facilities. The park is seen as able to attract new business investment in technology related sectors such as software and electronics, as well as specialist call centres and back offices. In addition to the telecoms links, the co-location of higher education facilities on the site is seen as particularly attractive to such firms. Before the Crichton Estate was re-developed, technology-oriented firms would not have considered locating in Dumfries & Galloway.

While the regeneration project specifically aimed to enhance the availability of more highly paid and skilled jobs in the area, it has in fact generated a range of different types of job. The main Galloway building is home to a large call centre, Patientline, which employs around 210 people, including students and parents of small children on part-time contracts. The call centre has also attracted older workers, some of whom had previously been unemployed. Similarly, the site has drawn in private investment in the form of hotel and conference facilities, which provide a range of jobs for local people.

Moreover, the provision of broadband connections is seen to have acted as a catalyst for technology-oriented business development throughout the area. Of particular importance has been the upgraded telecoms infrastructure, providing high-quality but low-cost services. The Structural Funds played a particularly important role in co-financing the initial set-up costs because this allowed the project sponsor to select a telecoms supplier with high set-up costs but a low annual rental charge. (This contrasted with the approach of the existing supplier, British Telecom, which offered low set-up costs but a high annual rental fee.) The outcome for businesses and other users was lower cost and higher quality telecoms services than they could otherwise have accessed.

The advanced telecommunications link was also influential in attracting Glasgow and Paisley Universities to set up facilities on the Crichton site,[92] in addition to Bell College, and Dumfries & Galloway College. The development of the Crichton Estate thus means that students from Dumfries & Galloway no longer need to leave the area if they wish to progress from further to higher education.

The goal is that the co-location of technology oriented businesses and higher education should generate mutual benefits. This is already evident in the number of student placements in businesses on the site. Moreover, by helping to increase the number and competitiveness of businesses in the area, the Crichton Estate provides new job opportunities for people graduating from colleges on the site, and thus contributes to the retention of educated people in the region.

The regeneration has also brought other benefits. On the one hand, it has led to broader recognition of the need to develop a region-wide IT strategy and has promoted wider use of telecommunications services, not least among community and voluntary groups. On the other hand, it has involved the restoration of a large conservation area (classified by Historic Scotland as 'outstanding'), made up of 34 hectares of landscaped parkland with 27 main buildings, 17 of which are listed. The regeneration of the site has won a series of planning, architecture and design awards, from bodies such as Scottish Enterprise, the Royal Town Planning Institute, and the Royal Institute of British Architects.

4.5.4 The role of the Structural Funds

It is likely that the regeneration of the Crichton Estate could not have proceeded in its current form without EU funding, and that the scale and quality of any initiative would have been significantly reduced. The site might instead have been developed as a generic business park, without high-grade telecommunications services or higher education facilities. While such a park could have provided employment, it would not have enhanced the area's capacity to attract technology-oriented businesses, or to retain young people wishing to gain university qualifications and skilled jobs. Moreover, in addition to the immediate effects on employment and economic activity, a large, high-quality regeneration project such as the Crichton Estate can bring systemic benefits via enhanced image, both among businesses and in the wider community.

In addition, each phase of physical regeneration would have been slower without EU funding, due to limits on the capital investment budgets of the partner organisations and the range of demands on these budgets. For example, it might not have been possible to finance the upgrading of the electrical facilities or road infrastructure in 1999 and 2000 without EU funding. Both of these projects are fundamental to the overall regeneration of the site and to ensuring that an appropriate level of services was in place for businesses and universities/colleges. Similarly, if EU resources had not been provided for Phase 1 of the business park itself, Scottish Enterprise would have had to meet the shortfall in funding, and this could have led to a smaller scale or slower approach.

[92] Current discussions over the future of Glasgow University's presence on the site underline the difficulty of establishing higher education facilities in areas such as Dumfries & Galloway.

4.6 Western Scotland: Atrium Business Centre, Coatbridge

4.6.1 The significance of the project

The Atrium Business Centre has made an important contribution to business development and employment creation in the Coatbridge area since it received a capital grant under the 1994-96 Objective 2 Programme. The centre was one of the first in Scotland to combine the high-quality accommodation for small firms with other forms of support, particularly IT facilities and management training. In addition, a number of business advisory and innovation-related services for SMEs have been set up within the centre – sometimes with further EU funding – and these continue to generate benefits for local businesses.

The project was conceived and developed, and is now owned and managed, by Lanarkshire Enterprise Services (formerly Monklands Enterprise Development Company), the development company for North Lanarkshire. Based initially on anecdotal evidence from its own client base, and backed up by a survey of existing business accommodation in the area, the enterprise trust identified a gap in the market provision of high-quality premises for very small businesses. In particular, the lack of targeted, high-quality accommodation was seen to be causing smaller, knowledge-based companies to leave the area. In order to retain these businesses locally, there would need to be a supply of the right type of premises.

The enterprise trust, which at the time was in leased accommodation, undertook a feasibility study to examine the commercial viability of combining their own need for accommodation with the identified gap in the market. The trust tried to obtain funding from various private and public sources but was not successful in raising sufficient finance. It therefore put in an application for Structural Funds resources, with co-financing provided via own funds and a commercial bank loan. The proposal focused on an open-plan design built around a central atrium, with very small office units plus high quality shared space, and an IT Centre incorporating state-of the art information and communications technologies.

In 1995, Structural Funds support of £460,000 (40 percent) was approved towards total costs of £1.03 million, for the construction of a 1,000 square metre building providing fully serviced accommodation for start-up businesses, on leases shorter than normally available commercially. Monklands District Council also provided a one-off grant (of c.£90,000) towards costs not eligible for Structural Funds support (e.g. fixtures and fittings). The Centre was built on a former steel site which had been decontaminated with Structural Funds assistance, and had been designated part of the Lanarkshire Enterprise Zone.

The Centre has recently been extended to provide more space to new businesses, as well as conference and meeting facilities for the local area. In addition, the Centre houses projects which provide specialist business services, including the following.

- Lanarkshire Enterprise Services (as Monklands Enterprise Development Company) operated a range of management development programmes with European Social Fund support under the 1994-96 and 1997-99 Objective 2 programmes (e.g. New Business Ventures, Supply Chain Management, Business Performance, Training

Needs Analysis). With ERDF support, they also ran a Business Development Links to Training Programme (1994-96 programme) and an Annual Operating Plan Support Programme (1997-99 programme), providing business development support for SMEs.

- Within the IT Centre, advice and training was provided to small businesses on their IT options, and assistance given with developing an IT Action Plan.

- The Lanarkshire Incubation Centre provides accommodation for high growth technology-based businesses and an innovation support programme. It has received Structural Funds support of almost £1 million since 1997.

4.6.2 The quantitative effects of the project

The project has met all the target outputs, and various project spin-outs located in the Centre have since produced further outputs. Table 4.7 shows the outputs and impacts during the three years of Structural Funds support; however, the Centre is still generating benefits for businesses via the provision of high quality accommodation and services.

Table 4.7: Outputs and results of the Atrium Business Centre, Coatbridge

Outputs/results	Target set in application	Outputs / results achieved
Business Centre 1000m2	1	1
Managed workspace units	35	35
Vocational training facility	1	1
IT Centre	1	1
Business Training Centre	1	1
Land improved (ha)	0.5	0.5
New businesses	N.A.	23
Incubation units	N.A.	25
Micro work stations	N.A.	6
Employment	N.A.	54

Source: Strathclyde European Partnership and Lanarkshire Enterprise Services

Moreover, the Atrium's specialist advisory services to businesses, both inside and outwith the Centre, have also generated (and continue to generate) significant benefits. The Incubation Centre alone has attracted substantial funding from both the public and, particularly, the private sector (Table 4.8).

Table 4.8: Funding secured by the Incubation Centre in 2003-06 (£000)

Funding	2003-04	2004-05	2005-06
Total raised	3,250	3,425	3,832
Public	352	373	926
Private	2,898	3,052	2,906

Source: Lanarkshire Enterprise Services

The outputs and results of these specialist services in recent years include the following.

- The Lanarkshire Incubation Centre has supported the start-up of 55 new high growth businesses, creating 390 new jobs (1,060 projected by the end of 2006), levering in eight SMART awards.

- The Annual Operating Plan Support Programme assisted 91 SMEs in 1997-99, helping to create 45 full-time jobs and to develop 64 new business processes.
- The Monklands Business Development Links to Training Programme helped 106 companies in Monklands in 1995-96.
- The Information Technology Centre has facilitated the training and support of over 1000 companies (varying from 250-400 per annum) in a wide range of e-commerce and ICT-related areas. As a result of either participating in a suite of workshops or through advice from an e-commerce adviser, or a combination of both, 149 companies are estimated to have improved or to be on track to improve their e-commerce capability.

Two of the most important initiatives with the Atrium Business Centre are the Incubation Centre and the Information and Technology Centre. The Incubation Centre provides accommodation and support for small new firms with strong growth potential (Table 4.9).

Table 4.9: High-growth start-ups in the Incubation Centre in 2000-06

Outputs/results	2003-04	2004-05	2005-06
No. of clients	33	37	40
No. of new businesses formed	16	17	22
No. of businesses still trading	9	14	19
Percentage of businesses still trading	56	83	86
Current average turnover (£000)	950	1,700	730
Current average employment	10	10	9

Source: Lanarkshire Enterprise Services

The Information Technology Centre provides training and other services in the field of IT to significant numbers of businesses. In 2004-2006, it undertook training courses in the fields of e-business and broader information technology for almost 500 businesses, involving almost 700 participants (Table 4.10).

Table 4.10: Outputs of the Information Technology Centre in 2004-06

Outputs	e-business training	IT training	ICT bespoke for company	Referral to e-commerce adviser	Resulting projects
2004-05					
No. of companies	179	278	21	166	N.A.
No. of participants	195	448	74	166	N.A.
Total training days	465	734	129	N.A.	N.A.
2005-06					
No. of companies	142	221	8	42	15
No. of participants	138	238	37	32	N.A.
Total training days	361	717	35	N.A.	N.A.

Source: Lanarkshire Enterprise Services

4.6.3 The qualitative effects of the project

The Atrium is considered to have generated significant benefits for the area, providing a focal point for local SMEs, encouraging and supporting the creation of new businesses, enhancing their survival rate and growth potential, and creating employment locally. It has also helped to improve the skills levels of the existing and emerging workforce. Moreover, the creation of the Business Centre has added credibility and a stamp of quality to the project sponsor, Lanarkshire Enterprise Services, which has gone on to reinvest profits in the local area, providing long-term benefits. Continued reinvestment and upgrading of the Centre has been a feature of the development.

The project was one of the first of its kind in Scotland and led the way in the provision of high-quality premises for small businesses, combined with other support facilities. The Centre demonstrated that there was unmet demand for such accommodation and that such projects could be financially successful. The Atrium achieved break-even occupancy levels within 18 months and succeeded in repaying its bank loan earlier than expected. The Atrium model has since been used as an example of good practice (e.g. Hillington, Ladywell), and its success has allowed the Structural Funds to support similar projects in other areas of Western Scotland.

By providing Lanarkshire Enterprise Services with the physical space to develop a range of services to business, the Centre has also allowed further Structural Funds resources to be gained, and has facilitated the local delivery of services aimed at enhancing business competitiveness.

Finally, the Business Centre's value in terms of perceptions of the area should not be under-estimated. The Atrium is located in what was considered to be the least attractive Enterprise Zone in North Lanarkshire, and has made a significant contribution to demonstrating that high-quality, technology-oriented developments can be successful in such locations.

4.6.4 The role of the Structural Funds

The Atrium is unlikely to have been set up without support from the Structural Funds, since funding was not forthcoming from other potential public sector sources, and only limited private sector funding could be obtained in the form of a bank loan.

EU resources thus enabled an innovative Business Centre to be developed in Coatbridge, using a model which was considered risky, but has now proven to be highly successful. Key factors were the project proposal's clear identification of evidence of market failure in the provision of a certain type of business premises and support, as well as the sponsor's sound financial proposal based on the provision of a service to its known client group.

The initial ERDF investment provides a clear legacy for the area. On the one hand, the Centre has become self-financing, as evidenced by its recent extension to offer more space to new businesses, in addition to conference and meeting facilities. On the other hand, the development of high-quality premises has enabled Lanarkshire Enterprise Services to consolidate and expand the range and quality of services provided to local companies.

4.7 Objective 3: The Quest for Employment project in West Fife

4.7.1 The significance of the project

The project funds packages of vocational training, work experience and advisory services with the aim of assisting multiply disadvantaged people from the former coal mining villages of West Fife to become employed. The main focus is on young people aged 16-24 years in 14 communities which rank in the top 15 percent according to the Scottish Index of Multiple Deprivation, and in the lowest 15 percent for access to basic services. The project is managed by West Fife Enterprise, a social enterprise set up in 1983.

Table 4.11: A survey of the disadvantages faced by individuals receiving support

	Workless household	No qualifi-cations	Never worked	Disabled	Lone parent	Literacy/ numeracy	Drugs/ alcohol	Homeless	Ethnic
Total surveyed (454)	210	140	161	107	65	61	16	32	9
Percentage	44%	30%	34%	23%	14%	13%	3%	7%	2%

Source: West Fife Enterprise Ltd

Support focuses on people facing significant challenges (Table 4.11) and aims not only to provide formal vocational training and work experience but also to improve the motivation and self-confidence of participants, not least via ongoing mentoring. Key areas include:

- guidance and advice in form of a high level of initial support, self assessment of the beneficiaries, continuous support throughout, as well as aftercare and mentoring;
- navigational Skills aimed at raising awareness of employer demands, improving job application and interview skills, and building motivation and confidence;
- core skills such as IT, literacy/numeracy, and communication skills;
- vocational training in job-oriented skills (e.g. metalwork, woodwork, and administration); and
- work experience via job placements, community projects and contract work.

In addition, the project provides a training allowance, a transport service and travel allowance, subsistence and child care. Participation is on a flexible basis, tailored to the needs of each individual, so that there is no fixed start or end date.

The project has brought together funding and in-kind support from a number of different actors in the area, with the ESF providing a total of almost €1.4 million in 2000-06, of a total project cost of over €3 million (Table 4.12). Both Fife Council and Lauder College provide domestic co-financing, in addition to in-kind support in form of the provision of ICT, buildings, staff accreditation and course materials.

Table 4.12: Annual Funding for Quest for Employment, by source and year (£000)

Funding source	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	Total
ESF Grant	215	221	221	221	240	240	1,358
Fife Council Grant	181	175	175	175	182	182	1,072
Fife Council in-kind	27	27	27	27	42	42	191
Lauder College Grant	42	50	50	50	50	50	292
Lauder College in-kind	13	18	18	18	17	17	100
Total	477	491	491	491	514	532	3,013

Source: West Fife Enterprise Ltd

While ESF funding contributed to the costs of the training and support programme, ERDF resources from the East of Scotland Objective 2 programme were used to provide the training facilities. When the project started in 2000, training was provided in a number of different dilapidated buildings so that Fife Council applied for funding to refurbish one of its own properties for the Quest for Employment project. The total cost of the refurbishment project was £816,000, including £365,000 from the ERDF (45 percent).

4.7.2 The quantitative effects of the project

Since the project started in 2000, 431 individuals have completed training courses, and 382 of these (89 percent) have received some form of vocational qualification, while 311 (72 percent) have entered employment or self-employment**.** A further 46 beneficiaries (11 percent) have gone on to further education or training. Table 4.13 shows that the project has already over-achieved in relation to its initial targets.

A survey has been undertaken of beneficiaries six months after leaving the project. Around ninety percent of those who left for employment or further education/training were contacted. Of these, 89 percent of those who had left for employment were still in employment six months later, while 59 percent of those who had left for education/training were still participating in their courses and a further 14 percent had entered employment. These results are seen as very positive, given that the target group for the project generally has low levels of participation in employment and training.

Table 4.13: The quantitative results achieved by the project in 2000-06

	Target set in the project application	Results achieved by December 2006	Results as percentage of target
No. of leavers	416	431	103.6
Part/full vocational qualification	333	413	124.0
Progressed to (self-)employment	271	311	114.8
Progressed to further education/training	21	46	219.0

Source: EPRC calculations based on information from West Fife Enterprise Ltd.

The results of the New Deal programme provide a useful basis for comparison. The project sponsor provided figures for Scotland/UK which show that 32 percent of New Deal participants of all ages go on to employment, with 23 percent still employed after three months. In comparison, 65 percent of individuals assisted by Quest for Employment are in employment six months after leaving.

The project sponsor also provided data which allowed for calculations of the respective value for money of Quest for Employment and the New Deal programme. Under the New Deal, the cost of each person entering employment is £9,820, which is slightly higher than the total cost of each person finding work under Quest for Employment (£9,688), and significantly higher than the cost to domestic partners, excluding EU resources (£5,322).

4.7.3 The qualitative effects of the project

While the immediate effects of this initiative are well illustrated by quantitative data, the project also endeavours to contribute to more qualitative and systemic changes. It aims to improve the area's prosperity by enhancing skills and raising employment levels, as well as to stimulate changes in the attitudes of participants towards work and education/training, as well as in employers' perceptions of the target communities and beneficiary groups.

The quantitative data show that the project is succeeded in raising employment levels among the target groups. This should not only enhance the financially independence and prosperity of the individuals involved but also contribute to the area's regeneration, by increasing the number of wage earners in these communities.

One key contributor to the qualitative effects of the project is the extensive employer engagement network which the project managers have been developed. Over 200 companies in Fife are now members of this network, and they have provided around 60 percent of the jobs found by the project's participants. These companies are benefiting by gaining access to a pool of skilled workers on the local labour market, drawing on groups of people that many employers would not traditionally recruit.

People associated with the project believe that its positive results are due in large part to its success in increasing the motivation and self-confidence of participants, and in encouraging them to apply for different types of jobs and to consider applying for further education or training. These results are seen to be based on the complex and intensive type of support provided by the project, combining vocational training and work experience with mentoring and the provision of generic life and work-oriented skills.

In addition, the project is seen to have provided a focus for local strategic cooperation between a range of actors, particularly Fife Council, West Fife Enterprise and Lauder College, and also the consortium of businesses. This partnership approach is seen as highly innovative in the West Fife area, and as providing a positive local example of how practical cooperation between organisations can bring tangible benefits.

Finally, the project has also contributed to an improved physical environment in the area. Participants gain work experience and skills by contributing to community projects, such as repairing park benches and painting walls. In addition to the immediate physical effects, this is also seen to have generated social pressure for a reduction in graffiti and small-scale vandalism. Consequently, the quality of basic amenities is seen to be improving.

4.7.4 The role of the Structural Funds

It is unlikely that this project could have been developed and launched in 1999/2000 without the aid of Structural Funds resources. The project's positive impacts and value for money are well illustrated by the quantitative data, particularly the comparison with the New Deal programme, as well as its qualitative effects.

Although funding for this kind of intervention has increased in Scotland since the late 1990s (e.g. via the New Deal programme, as well as the Executive's Social Justice Strategy and Closing the Opportunities Gap), the main policy focus[93] is understandably on areas where most unemployed people are concentrated, such as Ayrshire, Dundee, Glasgow, Inverclyde, Lanarkshire, Renfrewshire, and West Dunbartonshire.

Nevertheless, there remain local concentrations of high unemployment rates and multiple deprivation outside these areas, including the villages of West Fife which are the focus of the Quest for Employment Initiative. Fife received limited funding under the Social Inclusion Partnership initiative in 2000-04 and will gain more substantial funding for its multiple deprivation areas via the Communities Regeneration Fund in 2005-08, although for a range of initiatives, rather than for employability support alone.

Given the constraints on the budgets of the Executive and of local authorities, it is likely that the Quest for Employment project would not have been able to gain sufficient funding in 1999-2000 (and probably also in 2007) without the Structural Funds contribution. It is also unlikely that any other agency would have provided this service in the area. Scotland's Careers Service, for example, is developing tailored mentoring for young people but does not provide comprehensive packages of mentoring, training and work experience. Moreover, it does not seem to address on the specific difficulties facing young people from areas of multiple deprivation such as the West Fife villages.

[93] For example, in the past, Better Neighbourhood Services, and Pathways to Work; currently, Workforce Plus, and More Choices, More Chances. Fife was one of the Social Inclusion Partnership areas in 2000-04, but these covered a range of themes and additional funding was limited.

4.8 Drawing good practice lessons from the project case studies

This section considers the extent to which the projects studied are representative of the broader range of projects financed by Structural Funds programmes in Scotland. It also explores a number of reasons why the case study projects have been successful, with the aim of drawing out general lessons for the programmes.

4.8.1 Are these projects typical of the programmes?

When selecting the case studies, the research team endeavoured to ensure that they were representative of the broader programmes in terms of the themes financed, the geographical areas covered, and the target groups addressed (see Section 5.2). They are also typical in terms of the problems addressed, but less typical in terms of the scale of funding allocated. However, it is difficult to provide a categorical assessment of whether these projects are typical in terms of their impact or value added without an analysis of a larger sample of projects.

The projects clearly illustrate the complexity and difficulty of problems addressed by the programmes, and the consequent need to consider both quantitative and qualitative information when analysing effects. While some projects show strong quantitative effects relative to available benchmarks (such as West Fife's Quest for Employment), others show only limited effects in quantitative terms but strong qualitative impacts (such as the Small Isles and Inverie Ferry Service). Similarly, a longer-term perspective may be needed to reveal the full effects of a project (as in the case of the Atrium Business Centre and the East of Scotland's risk capital funds).

Although the programmes have financed many projects of a similar scale as (or larger than) the case study projects, they also allocate funding to much smaller projects. EU funding for the case studies ranges from £460,000 (Atrium Business Centre) to £13.2 million (East of Scotland's risk capital funds), whereas many other projects receive much more limited EU funding. Nevertheless, it should be noted that two of the case studies (Highlands & Islands, South of Scotland) cover groups of EU co-financed projects, so that funding for each component-project is lower. Other projects which receive EU funding may also be elements of a broader group of projects, whether co-financed by the Structural Funds or drawing on other public and private resources.

This study's focus on the effects of larger projects is mainly due to the remit given to the research team. However, it should also be noted that, in the case of smaller projects, it is likely that the average scale of effects is typically more limited than for larger projects. While small projects may have important, long-term effects on individual people or firms, it is generally more difficult to provide evidence of longer-term systemic legacies at the level of the local or regional economy. This need not mean that funding should be targeted only on larger projects but rather that evaluations would need to examine groups of small projects in order to assess their broader socio-economic effects.

Lastly, while the case studies show evidence of how EU funding has generated added value, it would be difficult to claim that these effects are typical of the programmes as a whole without examining a much larger sample of projects. Nevertheless, it should be noted that:

- in surveys, project sponsors state overwhelmingly that their projects could not have proceeded at all, or not with their actual scale, quality or timing, without Structural Funds resources, noting for example that efforts to seek resources from other channels had been unsuccessful;
- other studies provide a positive overview of numerous other projects financed by the Structural Funds programmes;[94]
- evaluations of Structural Funds programmes in Scotland generally give a favourable picture of key delivery mechanisms such as project generation, project selection and project monitoring.

Moreover, the added value of EU funding cannot simply be assessed at project level, as it depends not only on the quality of individual projects but also on decisions on financial allocations at national level. Even if an individual project could have proceeded with domestic funding alone, Structural Funds resources should have an additional impact by raising the overall level of funding for socio-economic development projects. The main risk to such a positive scenario is that the allocation of EU funding could distort the decisions of domestic policy-makers, leading to a reduction in domestic development spending in eligible areas, with the windfall being redirected to other spending categories or locations. One method of assessing the effect of EU funding on domestic policy decisions is to monitor flows of relevant categories of public expenditure over time.[95]

4.8.2 Drawing lessons from the case study projects

The five case studies illustrate the role of a number of factors which influence the extent and persistence of a project's effects. Some of these elements relate to strategic planning, while others concern the need for effective leadership and partnership, as well as for coordination with domestic policies and institutions. It should be noted that a number of these factors were already explicitly taken into account during the programmes' project generation and selection processes, at least in the 2000-06 period, including the need for project applicants to demonstrate strong financial and strategic planning.

(i) Leadership and partnership

The projects provide evidence of the importance of both effective leadership and cooperation among relevant partners. In the case of the Quest for Employment project and the Atrium Business Centre, a single organisation – and a small number of individuals - played a key leadership role in designing, driving forward and implementing the projects. Both project sponsors also showed a clear commitment to the goal of regenerating the community where the project was located.

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[94] Scottish Executive (2006a) *Adding Value, Keeping Value*, Report of the Scottish Structural Funds Added Value Group, Edinburgh.

[95] A methodology for this is outlined in EPRC and Fraser Associates (2002) *op. cit.*

All case studies involved a number of public and private partners, in providing financial and in-kind resources, as well as technical expertise. Without agreement among relevant partners of the need for action, and their active cooperation, the projects could not have succeeded. The range of partners involved was particularly broad in the case of the Small Isles and Inverie Ferry Service, with funding being contributed by six actors in addition to the Structural Funds. In such cases, the tasks of initial motivation and ongoing coordination are particularly important, whether undertaken by the main project sponsor or by the PME.

(ii) Strategic planning

The case studies also indicate the need for project sponsors to identify a clear bottleneck to development or market failure, and to develop a strategy which addresses this problem. Although the quality of planning differs between projects, it should be noted that application forms already require applicants to provide information on the strategic benefits to be generated by a project, as well as annual costs, expected outputs/results and qualitative effects. In the case of larger projects, market-oriented and other initial evaluations also need to be undertaken before funding is granted.

Some of the projects illustrate the importance of ensuring that the solution identified genuinely addresses the problem experienced. One reason for the success of the Quest for Employment project is that it focuses on the complex range of difficulties faced by multiply disadvantaged young unemployed people, providing various types of support including mentoring, as well as more conventional training and work experience. Moreover, it aims not only to change the attitudes of young people towards training and work, but also to encourage potential employers to revise their views of these young people. Another project which aims to address mismatches in perceptions on the demand- and supply-sides (rather than simply to increase the supply of productive factors) is the Scottish Investment Fund. Both projects illustrate how public intervention can help to address market failures which are partly due to mismatches in attitudes and perceptions.

(iii) A focus on longer-term effects

One reason for the ongoing legacy of the case study projects is that the project sponsors focused on longer-term impacts in the initial planning phases, sometimes linking the individual projects into broader regeneration strategies.

In some cases, such as the Small Isles and Inverie Ferry Service projects, as well as the Crichton Estate projects, a key benefit of drawing on Structural Funds resources is that they have allowed project sponsors to take a higher-quality, higher-cost approach than would have been possible with domestic resources alone. In this sense, Structural Funds can facilitate a stronger emphasis on longer-term benefits than could otherwise be taken. Clearly, however, stringent approaches to financial planning also need to be in place in order to ensure the ongoing viability of specific projects.

In addition, the case studies illustrate the need for the initial planning phase to include an assessment of a project's potential to act as a springboard for further private investment or public support for development. This is particularly evident in the case of the case studies in the Highlands & Islands and Western Scotland, where follow-up projects are underway, as well as in the East of Scotland, as risk capital funds are potentially sources of ongoing funding for business development.

(iv) Encourage managed risk-taking…

A further important lesson from the case studies is the need for Structural Funds programmes to support managed risk-taking. A key reason that the case study projects could not have gone ahead in their current form without EU resources is that other partners or potential investors perceived the level of risk as unacceptable.

In the case of the business-oriented projects (Atrium Business Centre, Crichton Estate, and East of Scotland's risk capital funds), the level of perceived risk plus uncertainty over profitability limited the projects' attractiveness to private investors (although a percentage of private funding was obtained in each case). The Atrium Business Centre and the Scottish Investment Fund, however, have shown stronger profitability than had originally been anticipated, suggesting that the risk may have been over-estimated due to information-related problems which are typical of new types of investment project.

In the other two cases (Small Isles and Inverie Ferry Service, and Quest for Employment), the Structural Funds also helped to underwrite risk but the other main actors were in the public sector. These projects have a strong element of public good, where aggregate social benefits are seen to outweigh the sum of the gains to individual investing partners. In addition to underpinning risk, the Structural Funds therefore offset part of the cost because the projects were seen to bring important public benefits.

(v) …but also ensure effective financial planning

Support for risk-taking needs to be balanced by effective financial planning, and by taking account of value for money principles, whether in terms of costing, comparing project application figures with relevant benchmarks, or setting appropriate co-financing rates.

Project application forms require applicants to state whether the project would proceed without EU funds and to attach a business plan, as well as to indicate how the project relates to existing policy fields. In selecting projects, programme managers and intermediary bodies also need to be aware of other factors, such as the availability of funding from other sources, and the resources available to the project's partners. The Atrium Business Centre illustrates how a project's failure to obtain sufficient funding from other sources was no indicator of actual outcomes, as well as the importance of strong financial planning with effective assessments of market demand and potential profitability.

Application forms also require information on expected costs and expected outputs/results, so that selection panels can make basic value for money comparisons, where relevant benchmarks exist. However, there may be a need for caution when comparing the cost:output ratios of Structural Funds projects with standard public or private investment projects. Structural Funds projects (in common with those financed by other regional policy instruments) may show higher cost ratios because the locations are difficult to access, or because they target businesses and individuals facing particularly acute problems. In the case of the Small Isles and Inverie Ferry Service projects, for example, it was noted that construction costs in this area are estimated at around 2.5 times the average rates in the Central Belt due to physical and time constraints related to access, as well as to the need to bring in workers with specialist skills.

Thus, while there is a need for rigorous financial planning in the case of all projects, as well as the application of broad value for money principles, it is also important to take account of project-specific factors such as location and target-groups. In the case of large projects with high cost:output ratios, it may appropriate to consider setting the EU co-financing rate at a relatively low level, as in the case of the Small Isles and Inverie Ferry Service projects. This can be a means of ensuring that funding is targeted at those projects where strong support can be mobilised from other public or private actors.

(vi) Link different kinds of interventions

The case studies also demonstrate the potential in Structural Funds programmes to link a series of projects together, drawing on complementarities which can lead to positive multiplier effects. Funding for different kinds of intervention may be accessed from different programmes and from both the ERDF and the ESF. There may also be potential to link mainstream ERDF/ESF funding with resources from one of the thematic Community Initiatives (which in 2000-06, for example, focused on equal opportunities, rural development, urban issues, and interregional cooperation).

Application forms already require information on any interactions with other Structural Funds projects. Similarly, PMEs in 1994-2006 encouraged applicants to cooperate with actors with similar ideas or interests, and assisted project sponsors to apply for funding from different EU sources.

The case studies from the Highlands & Islands and the South of Scotland show how diverse projects can be grouped together and focused on a single strategic goal. Moreover, all four regional case studies illustrate how funding can be obtained from more than one programming period, either within the core project-group or, in case of Western and East of Scotland, via follow-up projects to the initial investments. Finally, the case studies from Western Scotland and Objective 3 suggest ways of combining funding from the ESF and ERDF, in order to link training programmes with investment in physical infrastructure.

(vii) Complement domestic policy

A final lesson concerns the need to ensure that Structural Funds resources are used to complement existing policies and institutions, whether by coordinating intervention with domestic frameworks, or by focusing funding on novel kinds of projects or approaches. Application forms already require information on how projects will interact with domestic policies, although the quality of information provided by applicants may vary.

On the one hand, Structural Funds projects need to be linked with other relevant policy action (other public spending or the broader regulatory context), not least because such factors can influence a project's success. The Small Isles and Inverie Ferry Service projects illustrate the diversity of possible interactions. First, the Structural Funds co-financed upgrades to key sections of the A830 Mallaig road, complemented by improvements in the ferry service, facilitating access for businesses and visitors and potentially increasing the economic benefits. Second, recent community buy-outs on Eigg and Knoydart generated momentum for local development and provided new opportunities for public intervention. Lastly, the relaxation of Scottish Natural Heritage rules on visiting Rum enhanced the feasibility of raising visitor numbers to the area by improving the ferry service.

On the other hand, the case studies suggest that one means of generating added value is to allocate some Structural Funds resources to geographical areas, target groups or policy approaches which are seen to be insufficiently addressed by domestic instruments. The Quest for Employment project, for example, focuses on an area (West Fife) which is not targeted by the main domestic strategies for increasing employability among social groups with particular difficulties. Similarly, the Atrium Business Centre was one of the first centres in Scotland to provide small-scale office space plus a range of services for micro, technology-oriented businesses, particularly in an area of industrial decline.

4.9 The key findings of this section

The projects selected for this study provide evidence of the breadth of interventions under Structural Funds programmes and of the diverse ways in which they contribute to Scotland's socio-economic development. The five projects or sets of projects are:

- Highlands & Islands: The Small Isles and Inverie Ferry Service;
- East of Scotland: The Scottish Co-Investment Fund and the Sigma Innovation Fund;
- South of Scotland: Regeneration of the Crichton Estate, Dumfries;
- Western Scotland: The Atrium Business Centre, Coatbridge; and
- Objective 3: The Quest for Employment Initiative, West Fife.

Each project has contributed to the economic development of a specific area of Scotland. The projects have had immediate effects in terms of the provision of better transport and communications links, premises for firms, funding for technology-oriented start-ups, and packages of support for unemployed young people.

In addition, the projects have brought longer-term benefits e.g. by:

- acting as catalysts for broader development in their area, providing the basis for further private and public sector activities (Small Isles and Inverie Ferry Service, Coatbridge's Atrium Business Centre, and the Crichton Estate in Dumfries);
- changing the attitudes of individuals and groups, whether the mutual perceptions of small firms and private investors (East of Scotland's risk capital funds), or the views of young unemployed people of work and education, and the attitudes of employers towards such young people (West Fife's Quest for Employment);
- achieving structural changes in the quality of life of individuals and communities (Small Isles and Inverie Ferry Service);

- providing long term resources for their areas, whether in terms of infrastructure (Small Isles and Inverie ferry services, Coatbridge's Atrium Business Centre, and the Crichton Estate in Dumfries), ongoing funding for new businesses (East of Scotland's risk capital funds) or productive workers (West Fife's Quest for Employment).

Without Structural Funds resources, some of these projects would not have gone ahead at all (Coatbridge's Atrium Business Centre, West Fife's Quest for Employment Initiative, East of Scotland's Sigma Innovation Fund, and possibly the Small Isles and Inverie Ferry Service). The remaining projects could have received some funding without EU support but would have proceeded at a smaller scale, at lower quality and sometimes at a later point in time.

All of these projects are seen to have levered in additional funding from other public sources and private sector investors. Project sponsors and programme partners state that other funders were willing only to provide limited resources, due to perceptions of the risky character of the projects, notably the combination of high costs and uncertain profitability.

The case studies are representative in terms of the themes financed, the geographical areas covered, and the target groups addressed. However, the study focuses on relatively large projects, with the aim of exploring systemic effects on economic development and drawing broader lessons. However, the programmes also finance many smaller projects, which are often worthwhile, although the effects of each project are more limited.

It is difficult for this study to assess whether the case studies are typical in terms of their impact or added value because it focuses only on a very small sample of projects. However, other evaluations provide examples of other 'good practice' projects. It should also be noted that issues of added value apply, not only at project level, but also in relation to the aggregate allocation of public spending for regional economic development.

A number of broader lessons may be drawn from the case study projects for Structural Funds programmes in general, notably the importance of:

- leadership and partnership, as well as a commitment among partners to regenerating local/regional economies;

- strategic planning, notably the identification of bottlenecks to development, and the creation of appropriate solutions;

- a focus on longer-term effects, including follow-up public or private projects;

- managed risk-taking, particularly for business-oriented projects;

- effective financial planning and concern for value for money, while also taking into account the specific challenges facing structurally weak localities/regions;

- linking different interventions and funding sources to maximise effects; and

- complementing domestic policy frameworks, and addressing domestic policy gaps.

5. CONCLUSIONS

This study has examined the effects of Scotland's Structural Funds programmes and projects in 1994-2006, as well as the efficiency of the implementation systems. There is some evidence of positive impacts both at the level of programmes and in relation to individual projects, although the administrative burden of the Structural Funds approach is seen to bring additional costs. However, the impact of Scotland's Structural Funds programmes on the economy as a whole is modest, due to the low level of EU funding allocated, relative to total GDP or total identifiable public expenditure.

The implementation and delivery systems have generally operated well, within the constraints set by EU-level rules and procedures which inevitably add to administrative costs. In a context of changing approaches to Structural Funds implementation in Scotland, it is important to note that international comparative studies emphasise the need for Structural Funds implementation systems to complement broader domestic institutional frameworks. In addition, efficient delivery is seen to depend on a clear definition of roles and processes; effective relationships between partners; transparent application and decision-making processes; and the quality of human resources for project implementation and monitoring.

The study's conclusions on the effects of programmes are constrained by the relatively weak monitoring data available for 1994-99, and by the incomplete data for 2000-06 (because the 2000-06 programmes will not finish until the end of 2008). There are also some weaknesses in evaluation studies. In particular, the Commission-funded ex post evaluation for the UK's Objective 1 programmes in 1994-99 did not include the Highlands & Islands as a case study, and thus provides only limited information on its performance.

However, quantitative monitoring data, as well as estimates of net job effects, show that the programmes have generated useful outputs and have stimulated some positive results, relative to the limited amount of funding allocated. Programme evaluations also find a number of positive qualitative effects, including a rise in funding available for certain areas and target groups; the levering-in of additional finance from other sources; stronger funding for new types of projects and for raising project quality; and a more strategic approach. Some positive effects were also found in terms of efficiency, although these are likely to be (partly) offset by the additional bureaucracy generated by EU rules.

The study examined a small number of major 'good practice' projects, which illustrate the types of intervention financed and the kinds of effects stimulated by the Structural Funds programmes in Scotland. The quantitative and qualitative information collected suggests that each of these projects has contributed to the socio-economic development of a particular region or locality. Some of the projects would not have taken place without EU funding, while others would have received a lower level of public resources, leading to poorer quality or smaller projects, or delayed implementation.

The study did not seek to demonstrate whether the effects of these projects were typical of other projects financed by the programmes. Indeed, such an assessment would depend on a much larger sample of projects. There are, however, many examples of other good projects, as evidenced by case studies in other reports and evaluations, although there may also be weaker projects. One important issue is the scale of projects, as this study's remit was to focus on a small number of major projects which showed evidence of good practice. In contrast, many projects are much smaller, and the individual effects of each small project on the local or regional economy will inevitably be more limited.

A final issue is the need to set Structural Funds programmes and projects in a broader policy context. The net added value of Structural Funds allocations not only depends on efficient programme implementation and good quality projects, but also on domestic policy-makers' decisions on the allocation of EU and domestic resources. In order to ensure that Structural Funds bring added value, EU resources must be used to add to, rather than to replace, existing domestic resources for the development of localities and regions with structural economic weaknesses.

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ANNEX TO SECTION 1: RESEARCH GOALS, DESIGN AND METHODS

Main information sources used

The key sources of information for this study were the following documents:

- Single Programming Documents and Programme Complements;
- Annual Implementation Reports and Final reports;
- Ex ante evaluations;
- Interim evaluations, Mid term evaluations and Updated mid term evaluations; and
- Ex post evaluations and Final evaluations.

In addition, the researchers drew on project-level information from the files of the Programme Management Executives, notably in the form of:

- application forms and Correspondence;
- data on monitoring indicators;
- information collected in project monitoring visits;
- newsletters and promotional literature.

Semi-structured interviews were undertaken with the following:

Alan Boyle, Chief Executive of West Fife Enterprise Ltd, 18.01.2007.

Marian Gardiner, Deputy Chief Executive, Lanarkshire Enterprise Services, The Atrium Business Centre, Coatbridge, 26.01.2007.

Lorna Gregson-MacLeod, Assistant Chief Executive, Highlands & Islands (Scotland) Structural Funds Partnership Ltd, 16.01.2007.

Anne Houston, Chief Executive, and Sallyann Low, Assistant Chief Executive, Strathclyde European Partnership Ltd, Glasgow, 11.01.2007.

Cameron Kemp and Sam McNaughton, Highland Council, 16.01.2007.

Donald MacKinnon, Programme Director, and Darren Burns, Senior Programme Manager, South of Scotland European Partnership, 15.01.2007.

Gordon McLaren, Chief Executive, East of Scotland European Partnership, 12.01.2007.

Gordon Mann, Managing Director, Crichton Development Company, 15.01.2007.

Susan Tamburrini, Programme Manager, East of Scotland European Partnership, 24.01.2007.

Case study project template

A. Background data

Basic description of the project

1. What is the project's name?

2. Provide a brief description of the project's aims and what was funded.

3. When was the project approved? When did it actually start? When was it completed?

Funding

1. How much EU funding is allocated to the project?

2. What is the total cost of the project?

3. Who are the other contributors in financial terms?

4. Has all the funding been spent?

Project planning and selection

1. Whose idea was the project?

2. Who was responsible for planning and preparation? Who else was involved and what did they do?

3. What action was taken to gain the financial, political or organisational support of other actors?

4. Did any challenges arise during the planning process? How were these overcome?

5. Why did policy-makers decide to select this project?

Implementation

1. Who is the project holder or lead sponsor?

2. What other organisations involved in planning, managing or implementing the project? What are their specific roles?

3. Did any challenges arise during the implementation process? How were these overcome?

B. The project's quantitative added value

Forecasts and actual outputs and results

Please complete the following tables to summarise data on outputs and results – in terms of forecasts provided at application stage (from application forms etc) and also in terms of final actual data (from the programme's monitoring system).

Table 1: Outputs

	Target set in the application documents	Final outputs achieved at the end of the project	Final outputs achieved / total costs
Output 1			
Output 2			
Etc			

Table 2: Results

	Target set in the application documents	Results achieved at the end of the project	Final results achieved / total costs
Result 1			
Result 2			
Etc			

Partners' views of the project's quantitative effects

Drawing on information collected in interviews, provide an assessment of the extent to which the project had additional quantitative effects due to the provision of Structural Funds resources e.g. contributing to:

- the scale of the intervention (e.g. whether more outputs were achieved due to the Structural Funds);
- the scope of the interventions (e.g. whether certain components of the project could not have been financed without the Structural Funds input); and
- time-scale (e.g. whether the project was funded sooner or in a shorter amount of time due to the Structural Funds).

C. The project's qualitative added value

Drawing on information collected in interviews, provide an assessment of the project's qualitative effects, based on the following headings:

- **Socio-economic development**: Does the project bring broader benefits which cannot easily be quantified? E.g. an infrastructure or business-oriented project might improve the broader context for private sector activity, or a training or community development project could influence the job prospects or broader socio-economic activities of participants.

- **Image or place-marketing**: Does the project raise the profile or improve the image of a location?

- **Long-term legacy**: In the case of projects from 1994-99 or early in 2000-06, are socio-economic effects still felt? Has the project provided a basis for further action by public or private actors?

- **Targeting specific needs**: Does the project address the needs of socio-economic groups or locations which are perceived to be relatively neglected by domestic policies?

- **Financial / leverage:** Did the project facilitate access to funding from other public or private sources, leading to an overall increase in development spending in a specific location or on a specific type of intervention?

- **Strategic focus**: Did the project provide a focus for local strategic collective action e.g. encouraging cooperation among actors, a longer term approach, or a focus on 'the bigger picture'? Has this increased impact e.g. by facilitating more effective intervention, or by minimising duplication of activities?

- **Efficiency:** Has the quality of the project been enhanced by Structural Funds mechanisms? E.g. did the ex ante requirements on project planning and costing improve efficiency? Did the procedures for monitoring and evaluation increase either efficiency (i.e. more rapid and structured completion of the project) or effectiveness (i.e. more outputs or results)?

- **Innovation**: Has the project facilitated the introduction of new approaches? Was the project seen as too risky to be financed through mainstream public mechanisms? How did partners overcome any challenges associated with this greater degree of risk?

Has the project had any other qualitative effects?

D. How does the project fit into the programme?

1. Under which priority and measure is the project funded?

2. Is the project typical of this measure e.g. in terms of size/theme/type of project holder?

3. How does it differ from other projects financed under this measure?

4. What is the view of the PME (or other programme-level actors) of the quantitative or qualitative effects of this project compared to the effects of other similar projects?

5. How do the cost/output ratio and cost/result ratio for this project compare with that for other projects under the same measure? Please fill in the following tables.

Table 3: Output / cost ratio

	Output / cost ratio for this project	**Output / cost ratio for similar projects**
Output 1		
Output 2		
Etc		

Table 4: Result / cost ratio

	Result / cost ratio for this project	**Result / cost ratio for similar projects**
Result 1		
Result 2		
Etc		

ANNEX TO SECTION 2: SCOTLAND'S STRUCTURAL FUNDS PROGRAMMES – PRIORITIES, OUTCOMES AND PROJECTS

Highlands & Islands Special Transitional Programme 2000-06

Total EU funding €320 million at current prices

Priority 1: Increasing business competitiveness (4 measures): 23.4%

Priority 2: Creating the conditions for regional competitiveness (5 measures): 33.2%

Priority 3: Human resource development (5 measures): 19.0%

Priority 4: Assisting rural communities: [4a Rural development and fisheries (9 measures), 4b Community economic development (5 measures)]: 23.1%

Technical assistance: 1.3%

Key indicators

Output indicators	**Target for 2000-06**	**Up to end 2005**
No. of businesses assisted	3,782	5,523
Area of business space created/enhanced (sq.m.)	40,000	29,954
Transport infrastructure constructed/upgraded (km)	70	24.4
No. of people trained	20,800	20,551
Result indicators		
Increase in sales in assisted businesses (£mn)	158.5	105.3
No. of new patents/IPR registrations	10	29
No. of gross jobs created	6,040	5,310
No. of gross jobs safeguarded	6,105	6,928
No. of completers entering education/training	5,550	7,006
No. of beneficiaries entering employment	4,700	6,235

Notes: (a) Output and result data are incomplete because some projects will not finish until end 2008.
(b) Data have been aggregated across priorities and indicators, possibly leading to double-counting.

Sources: EPRC calculations based on SPD 2000-06 and Annual Implementation Report 2005.

Examples of key projects

By the end of 2005, the programme had financed 2,417 projects including:

Expanded air service facilities e.g. Coll, Colonsay, Kirkwall, Stornoway, Sumburgh

Harbour/ferry infrastructure e.g. Papa Stour, Scrabster, Sound of Barra, Small Isles

Broadband connections throughout the Western Isles

Business Parks / Centres e.g. Castlebay, Cullivoe, Golspie, Orbost, Thurso, Tomintoul

Incubation & Innovation Centres at Forres, Highlands Medicentre

Infrastructure, training and R&D at University of the Highlands & Islands and its Colleges.

Highlands & Islands Objective 1 Programme 1994-99

Total EU funding ECU 311 million at 1994 prices

Priority 1: Business development (5 measures): 23.3%

Priority 2: Tourism, heritage and cultural development (5 measures): 7.8%

Priority 3: Preservation and enhancement of the environment (4 measures) 5.2%

Priority 4: Development of the primary sectors & related food industries (5 measures) 22.1%

Priority 5: Community development (6 measures)] 15.1%

Priority 6: Improvement of communications and service networks to enhance business and community development (4 measures) 25.6%

Technical assistance: 1.0%

Key indicators

Output indicators	**Target for 1994-99**	**Up to March 1999**
No. of businesses assisted	3,000	4,482
Area of industrial floor-space created (sq.m.)	50,000	32,667
Roads constructed/upgraded (km)	95	44
No. of waste disposal facilities improved	15	13
No. of new/improved community facilities	30	52
No. of transport harbour schemes	15	10
No. of individuals trained from target groups	7,000	15,386
Result indicators		
No. of gross jobs created	3,615	3,760
No. of gross jobs safeguarded	7,055	8,987

Notes: (a) Output/result data are the latest available; however, some projects were not finished when the evaluations were undertaken. (b) Data have been aggregated across priorities and indicators, possibly leading to double-counting.

Source: EPRC calculations based on SPD 2000-06 Table 4.

Examples of key projects

Some of the most important projects financed by the programme include:

Western Isles spinal road link from the Isle of Lewis to the Isle of Barra

Harbour/ferry infrastructure e.g. Campbeltown, Mallaig, Stornoway, Stromness, Ullapool

Existing analogue/unconverted telecoms exchanges were converted to full digital standard

University of the Highlands & Islands: core facilities at each of the main college sites plus investment in distance learning through innovative uses of new technology

Strategic energy projects e.g. Shetland Energy Recovery, Lerwick District Heating schemes.

East of Scotland Objective 2 Programme 2000-06

Total EU funding €262 million at current prices

Priority 1: Strategic economic development (3 measures): 31.4%

Priority 2: Strategic locations and sectors (2 measures): 46.4%

Priority 3: Community economic development (3 measures) 20.1%

Technical assistance: 2.1%

Key indicators

Output indicators	**Target for 2000-06**	**Up to end 2005**
No. of businesses assisted	13,964	40,534
Business space created/enhanced (sq.m.)	211,043	36,945
No. of childcare facilities created	39	22
Result indicators		
Increase in sales in assisted businesses (£mn)	1,047.18	128
No. of new patents/IPR registrations	434	63
No. of gross jobs created	16,724	16,370
No. of gross jobs safeguarded	16,917	17,898
No. of jobless securing employment	4,454	4,814
Private sector leverage (£mn)	30.67	5
Value of investment in R&D by assisted SMEs (£mn)	3.09	8
No. of bodies introducing equal opportunities policies	1,427	467
No. of bodies introducing environmental policies	1,124	416
No. of childcare places created	942	1,918

Note: Data have been aggregated across measures and indicators, possibly leading to double-counting.
Source: EPRC calculations based on programming documents, evaluations and annual reports.

Examples of key projects

By the end of 2005, the programme supported 620 projects in a range of fields:

Business support throughout the region, e.g. Stirling, Clackmannanshire, risk capital access

Business Parks / Centres e.g. Clackmannanshire, Forth Valley, West Lothian, Angus College

Innovation, Technology and Incubation Centres e.g. Midlothian, Dundee, Livingstone

Research infrastructure e.g. Edinburgh Biomedical Research Institute, Roslin Biocentre

Community Development e.g. Aberdeenshire, Craigmillar, Dundee, Falkirk, Midlothian

Tourism Development e.g. Fife College, Stirling, Rosyth, Loch Lomond & Trossachs

Creative Industries and Digital Media: Dundee, Glenrothes College, Clackmannanshire

East of Scotland Objective 2 Programme 1997-99

Total EU funding €140 million at 1997 prices

Priority 1: SME development (4 measures): 40.9%

Priority 2: Tourism (3 measures): 16.9%

Priority 3: Locally based initiatives (2 measures) 15.5%

Priority 4: Technology and innovation (3 measures) 25.5%

Technical assistance: 1.2%

Key indicators

Output indicators	Target for 1997-99	Up to end 2001
No. of businesses assisted	22,110	16,233
Area of business space created/enhanced (sq.m.)	319,148	118,301
No. of sites provided with direct road access	10	10
No. of people trained	43,951	36,084
Result indicators		
Increase in sales in assisted businesses (£mn)	284	194
No. of gross jobs created	15,768	17,076
No. of gross jobs safeguarded	9,303	17,118
No. of bodies implementing environmental audit	25	106
No. of child/ dependent care places created	77	68
No. of people trained	43,951	36,084
No. of beneficiaries entering employment	6,687	6,270
No. of net additional jobs	7,633	5,739
No. of net additional jobs safeguarded	4175	3146

Note: Data have been aggregated across measures and indicators, possibly leading to double-counting.
Source: EPRC calculations based on programming documents, evaluations and annual reports.

Examples of key projects

Of the 722 projects approved, examples include:

Business Parks e.g. Livingston, Rosyth, Dundee, Clackmannanshire, Larbert, Stirling

Technology/ Innovation Centres e.g. Forth Valley, Roslin Institute, Stirling University

Access to capital: Eastern Scotland Investments (ESI), Edinburgh Technology Fund (ETF)

Training support e.g. Colleges of Falkirk, Glenrothes, Lauder, University of Abertay Dundee

Community Development e.g. Ardler, Craigmillar, Fife

Tourism development e.g. Dundee, Carnoustie, Stirling, Newtongrange, Millennium Link

East of Scotland Objective 2 Programme 1994-96

Total EU funding ECU 121 million at 1994 prices

Priority 1: Business and trade development (5 measures): 38.7%

Priority 2: Business environment, image and tourism (4 measures): 35.2%

Priority 3: Locally based initiatives (2 measures) 9.8%

Priority 4: Technology and innovation (3 measures) 15.2%

Technical assistance: 1.1%

Key indicators

Output indicators	**Target for 1994-96**	**Final figures**
No. of businesses assisted	7,850	9,186
Area of business space created/enhanced (sq.m.)	151,000	108,994
No. of new products / processes developed	n/a	218
No. of town/city centres upgraded	40	42
No. of new/existing attractions created/ improved	n/a	53
No. of improvements to port facilities / airport access	4	3
Improved access to key industrial and tourism sites	15	8
No. of beneficiaries of ESF assistance	15,750	27,968
Result indicators		
Gross new jobs created/safeguarded	n/a	5,204
No. of completers entering education/training	1,400	660
No. of beneficiaries with employment outcome (a)	10,350	10,334

Note: (a) This includes beneficiaries remaining in employment or re-employed due to ESF assistance.
(b) Data have been aggregated across measures and indicators, possibly leading to double-counting.

Source: EPRC calculations based on programming documents, evaluations, reports & PME information.

Examples of key projects

Of the 1,007 projects funded by the end of the programming period, examples include:

Business support e.g. West Lothian, LINC East, Heriot-Watt University, Forth Valley

Business Parks e.g. Stirling, Rosyth, Dundee, Dunfermline, Livingstone, Inverkeithing

Innovation Centres: Scion House (Stirling)

Road/rail infrastructure e.g. Stirling, Dundee, Dunfermline, Clackmannanshire, Dalgety Bay

Tourism development e.g. Musselburgh, Callendar, Dundee, North Queensferry

Infrastructure/training/R&D e.g. Colleges of Fife, Falkirk, Dundee, Lauder; Edinburgh Univ.

Community development e.g. Dundee, Stirling

North West and Grampian Objective 5b Programme 1994-99

Total EU funding ECU 39 million at 1994 prices

Priority 1: Business support (4 measures): 72.2%

Priority 2: Skills (3 measures): 18.1%

Priority 3: Environment and heritage (2 measures): 9.0%

Technical assistance: 0.8%

Key indicators

Output indicators	**Target for 1994-99**	**Up to end 2001**
No. of businesses assisted	800	991
Area of business space created/enhanced (sq.m.)	n/a	8,090
Area of land serviced (ha)	n/a	0
Area of land improved (ha)	200	3,329
No. of new/ existing attractions created/improved	12	8
No. of new/ improved visitor info centres	5	11
No. of community enhancement projects	40	46
No. of beneficiaries	6,000	0
Result indicators		
Gross new jobs created/ safeguarded	2,425	2,734
New firms created	376	105
No. of participants gaining NVQ/equivalent	4,200	204
No. of businesses trained (ESF)	120	0

Note: Data have been aggregated across priorities and indicators, possibly leading to double-counting.
Source: EPRC calculations based on programming documents, evaluations and annual reports.

Examples of key projects

Of the 246 projects funded by the end of the programming period, some examples include:

Business support throughout the region, e.g. Huntly area

Industrial Estates e.g. Peterhead, Huntly, Ballater, Keith

Harbour/yard infrastructure e.g. Fraserburgh, MacDuff, Gardenstown

Tourism infrastructure e.g. Huntly Castle, Aberdeen, MacDuff, Aberdeenshire (Archeolink)

IT support throughout the region, e.g. Moray College, North and West Grampian

Conservation projects e.g. North Grampian Conservation project

Rail infrastructure: Insch Station

Rural Stirling and Upper Tayside Objective 5b Programme 1994-99

Total EU funding ECU 25 million at 1994 prices

Priority 1: Business support (5 measures): 46.7%

Priority 2: Tourism development (5 measures): 38.1%

Priority 3: Environmental stewardship and rural development (4 measures): 14%

Technical assistance: 1.2%

Key indicators

Output indicators	**Target for 1994-99**	**Up to end 2001**
No. of businesses assisted	2,550	2,984
Area of business space created/enhanced (sq.m.)	5,500	4,859
Area of land serviced (ha)	n/a	8.9
Area of land improved (ha)	n/a	7,691
No. of new/ existing attractions created/improved	8	4
No. of community enhancement projects	10	21
No. of beneficiaries	3,400	22,335
No. of businesses trained (ESF)	100	0
Result indicators		
Gross new jobs created/safeguarded	1,500	1,488
New firms created	186	362
No. of beneficiaries gaining NVQ/ equivalent	1,810	0

Note: Data have been aggregated across priorities and indicators, possibly leading to double-counting.
Source: EPRC calculations based on programming documents, evaluations and annual reports.

Examples of key projects

Of the 246 projects funded by the end of the programming period, examples include:

Business support throughout the region, e.g. Rural Stirling, Angus, Tayside

Place marketing e.g. Loch Lomond, Trossachs, Loch Katrine, Perthshire, Glenshee, Angus, Rural Stirling

Tourism infrastructure e.g. Pitlochry (Festival Theatre, leisure facilities), Breadalbane Folklore Centre, Central Highland Way Network, cycle paths in Perthshire

Community Development e.g. Killin, Brechin, Archirder

Conservation projects: Woodland regeneration (Scottish Native Woods)

Rail infrastructure: Rannoch Station

South of Scotland Objective 2 Programme 2000-06

Total EU funding: €76 million at current prices

Priority 1: Competitive enterprises (3 measures): 29.1%

Priority 2: Competitive locations (3 measures): 46.8%

Priority 3: People and communities (2 measures) 20.7%

Technical assistance: 3.4%

Key indicators

Output indicators	**Target for 2000-06**	**Up to end 2005**
No. of businesses assisted	2529	4006
Area of business space created/enhanced (sq.m.)	61,570	11,728
Result indicators		
Increase in sales in assisted businesses (£m)	266.7	97.24
No. of new patents/IPR registrations	179	13
No. of gross new jobs created	5,197	4,396
No. of gross jobs safeguarded	2,137	6,259
No. of jobless securing employment	1,766	110
Private sector leverage (£m)	3.1	0.3
Value of investment in R&D by assisted businesses (£m)	3.9	0.02
No. of bodies introducing equal opportunities policies	1,351	202
No. of bodies introducing environmental policies	1,586	169
No. of childcare places created	55	4

Note: Data have been aggregated across priorities and indicators, possibly leading to double-counting.

Source: EPRC calculations based on Annual Implementation Report 2005.

Examples of key projects

By the end of 2005, the programme had financed a total of 127 projects, including:

Training and education e.g. Borders College, Barony College, Learning Centre in Langhom

Broadband supply across South of Scotland

Business premises e.g. Selkirk, Dumfries, business growth support across South of Scotland

Community regeneration e.g. Hawick, Dumfries, Galloway, Selkirk, Innerleithen, Walkerburn, Stranraer

Tourism development e.g. mountain bike, walk trails across South of Scotland, Golf in the Borders, tourism marketing campaigns in the Borders, Dumfries & Galloway

Borders Objective 5b Programme 1994-99

Total EU funding ECU 30 million at 1994 prices

Priority 1: Investing in business (3 measures) 64.4%

Priority 2: Investing in integrated rural initiatives (3 measures) 17.5%

Priority 3: Investing in people (2 measures) 17%

Technical assistance: 1.1%

Key indicators

Output indicators	**Target for 1994-99**	**Up to end 2001**
No. of businesses assisted	836	4,202
Area of business space created/enhanced (sq.m.)	7,040	7,897
Area of land created/reclaimed (ha)	17.25	9.00
Length of forestry roads improved (km)	5	10.6
Result indicators		
No. of gross jobs created	938	1910
Value of additional sales (£m)	1.0	26.40
No. of businesses accommodated	44	22
No. of town centre improvements	6-7	8
No. of environmental/conservation projects	4-5	1

Note: Data have been aggregated across priorities and indicators, possibly leading to double-counting.
Source: EPRC calculations based on Borders Objective 5b Programme Final Report.

Examples of key projects

By the end of 1999, the programme had financed some 237 projects, including:

Business Parks / Centres e.g. Newtown St. Boswells, Hawick

Tourism development e.g. Visitor centre in Jedburgh, Golf club in Eyemouth, tourism marketing initiative, various walks, visitor access guides for Borders.

Education and training e.g. Childcare and education, chef school, network infrastructure at the Borders College.

Property development e.g. Property funding, town centres property improvement across the Borders.

Dumfries & Galloway Objective 5b Programme 1994-99

Total EU funding ECU 48 million at 1994 prices

Priority 1: Business Development (5 Measures) 54.8%

Priority 2: People, Environment and Community Development (5 Measures) 29%

Priority 3: Communications (3 Measures) 14.7%

Technical assistance: 1.5%

Key indicators

Output indicators	**Target for 1994-99**	**Up to end 1999**
No. of existing businesses assisted	370	4,267
Result indicators		
No. of gross jobs created	2,060	2,491
No. of gross jobs safeguarded	2,000	8,563
No. of businesses established	1,972	1,773
No. of new training facilities created	15	33
No. of SMEs receiving training and development	1,500	1,401
No. of beneficiaries receiving guidance	1,800	1,495

Note: Data have been aggregated across priorities and indicators, possibly leading to double-counting.
Source: EPRC calculations based on Programme Closure Report.

Examples of key projects

By the end of 1999, the programme had financed some 527 projects, including:

Tourism development e.g. Dumfries, Stranraer, Sanquhar, Threave, Galloway, Wanlockhead

Business Parks / Centres e.g. Dumfries, Newton Stewart, Stranraer, Kelloholm

Information and communications technology development across Dumfries & Galloway

Training and education e.g. at the Dumfries & Galloway College

Western Scotland Objective 2 Programme 2000-06

Total EU funding €504 million at current prices

Priority 1: Developing the competitiveness and innovative capacity of the region's SMEs (3 measures): 31.2%

Priority 2: Developing the region as a competitive location (3 measures): 38.5%

Priority 3: Increasing the economic and social cohesion of the region (2 measures): 27.9%

Technical assistance: 2.4%

Key indicators

Output indicators	**Target for 2000-06**	**Up to Sept 2005**
No. of businesses assisted	1,9811	8,312
Area of business space created/enhanced (sq.m.)	120,843	19,810
Area of training/learning facilities (sq.m.)	99,395	88,061
Result indicators		
Increase in sales in assisted businesses (£m)	1,124.75	233.76
No. of gross new jobs created	50,984	13,471
Private sector leverage (£m)	59.3	41.58
No. of childcare places created	1,140	601
No. of training spaces provided	9,035	5,271
No. of ESF beneficiaries	35,504	25,868
No. of beneficiaries completing course	28,402	14,757
No. of positive outcomes for leavers/completers	17,175	9,856
No. of leavers/completers gaining full/part time qualification	12,925	8,397

Note: Data have been aggregated across priorities and indicators, possibly leading to double-counting.
Sources: EPRC calculations based on Annual Implementation Report 2005.

Examples of key projects

By September 2005, the programme had financed a total of 915 projects, including:

Major developments such as Glasgow Harbour, and investment in six new further education colleges as well as rehabilitation of derelict sites e.g. at Pottery Street/Ladyburn

Investment Funds e.g. Scottish Co-Investment Fund, West of Scotland Regeneration Fund and support for commercialisation through the Proof of Concept Fund, the Technology Talent Initiative and Scottish Health Innovations

Innovative care sector training projects in the Social Inclusion Partnership (SIP) Areas

Western Scotland Objective 2 Programme 1997-99

Total EU funding €335 million at 1997 prices

Priority 1: SMEs and local services (5 measures): 35.9%

Priority 2: Applied research, technology and innovation (3 measures): 9.3%

Priority 3: Strategic spatial development (3 measures): 22.6%

Priority 4: Tourism and cultural industries (3 measures): 14.7%

Priority 5: Community economic development (2 measures) 16.5%

Technical assistance: 0.9%

Key indicators

Output indicators	**Target for 1997-99**	**Up to end 2001**
No. of businesses assisted	5,602	12,911
Area of new/upgraded business space (sq.m.)	40,170	65,124
No. of people trained	34,305	12,236
No. of new childcare places	562	1,176
Result indicators		
Gross new and safeguarded sales in SMEs (£m)	436.24	97.96
Gross direct new jobs	56,052	19,166

Notes: (a) Targets have been adjusted to cover only those measures where output data are available. (b) Data have been aggregated across priorities and indicators, possibly leading to double-counting.

Sources: EPRC calculations based on Final Report for 1997-99.

Examples of key projects

By the end of the period, the programme had financed a total of 1,022 projects, including:

Major developments such as the Glasgow Science Centre, Loch Lomond Shores, The Lighthouse, Glasgow, St Andrews in the Square, Glasgow, North Ayrshire College, Kilwinning, the Kittochside Museum of Scottish Country Life and Scotland Street School

Regeneration and redevelopment projects such as Gartcosh Regeneration, Cardowan Colliery Redevelopment and Paisley Town Centre

Rebuild and refurbishment of the Waverley Paddle Steamer, Maid of the Loch and Glenlee

Enterprise and technology centres, business parks and industrial estates throughout region

Management & training schemes for women returners, young people, unemployed graduates

Training and employment schemes in the Social Inclusion Partnership (SIP) Areas

Western Scotland Objective 2 Programme 1994-96

Total EU funding ECU 286 million at 1997 prices

Priority 1: Business development (5 measures): 33.3%

Priority 2: Business infrastructure (3 measures): 38.5%

Priority 3: Tourism and cultural sector (3 measures): 13.2%

Priority 4: Economic and social exclusion (2 measures): 14.1%

Technical assistance: 1.0%

Key indicators

Output indicators	**Target for 1994-96**	**Up to end 1996**
No. of businesses assisted	1,500	25,838
Area of business space created/enhanced (sq.m.)	270,000	162,472
No. of ESF beneficiaries	27,800	62,226
Increase in business turnover (£mn)	25	36.8
No. of new technology transfer projects	10	121
No. of new public transport projects	10	11
No. of town centre improvement schemes	10	18
Result indicators		
No. of gross jobs created/safeguarded	1,150	25,838
No. of completers entering employment		3,581
No. of completers entering education/training		35,431
Impact indicator		
No. of net jobs created/safeguarded		15,898

Notes: (a) Gross job creation target is set only for some measures but data are reported for all Measures. (b) Data are aggregated across priorities/indicators, possibly leading to double-counting.

Source: EPRC calculations based on Final Report.

Examples of key projects

By the end of the period, the programme had financed a total of 1,171 projects, including:

Technology transfer at Universities of Glasgow, Glasgow Caledonian, Paisley, Strathclyde

Business training in Colleges e.g. Ayr, Coatbridge, Cumbernauld, Kilmarnock, Motherwell

Industrial estates in e.g. Blantyre, Drumchapel, East Kilbride, Irvine, Larkhall, Uddingston

Innovation centres in e.g. Cardonald, Clydebank, Hamilton, West of Scotland Science Park

Road upgrades e.g. M77 Dumbreck Rd & Nitshill Rd Interchanges, A8/M8 Eurocentral access

Objective 3 Programme 2000-06

Total EU funding €520 million at current prices

Priority 1: Raising employability (1 measure [initially 2 measures]): 21.0%

Priority 2: Addressing social exclusion (4 measures): 42.4%

Priority 3: Lifelong learning (1 measure [initially 2 measures]): 7.1%

Priority 4: A competitive economy (3 measures [initially 5 measures]): 21.3%

Priority 5: Addressing gender imbalance (1 measure [initially 2 measures]): 5.7%

Global grants (for smaller voluntary sector or social economy projects): 1.0%

Technical assistance: 1.4%

Key indicators

Output indicators	**Target 2000-05**	**Up to end 2005**
No. of people trained	159,277	206,424
No. aged 16-24 assisted before unemployed for 6 months	17,724	27,180
No. aged 25+ assisted before unemployed for 12 months	30,002	20,434
No. of beneficiaries who complete their courses	110,188	159,303
No. of existing companies assisted by ESF	16,457	14,280
Result indicators		
No. of people leaving for full or part-time employment	41,899	20,424
No. of people leaving for self employment	512	345
No. of people leaving for full time education / training	56,533	26,755
No. of leavers who gain a (part) qualification	65,398	99,747

Note: Data have been aggregated across priorities and indicators, possibly leading to double-counting.
Source: EPRC calculations based on Annual Implementation Report 2005.

Examples of key projects

By the end of 2005, the programme had financed 2,987 projects, including:

Access to employment e.g. Govan Works; Into Work Glasgow Care Skills; Pollock Skills Update; Drumchapel Opportunities Know IT Online; Activate Career Planning, Lowlands

Social inclusion of disabled people e.g. in Inverurie, Edinburgh/Lothian

Business training: East Ayrshire Job Rotation 2005 (inc. work experience for unemployed)

Human capital: Higher Education in Person Centred Approaches for Social Care Workers;

Gender equality: Management/IT courses for women, Paisley; Men in Childcare, Edinburgh

Objective 3 Programme 1994-99

Total EU funding ECU 94 million at 1994 prices (in 1997-99 only)

Priority 1: Pathways to employment

Priority 2: Pathways to a good start in working life

Priority 3: Pathways to equal opportunities between men and women

Priority 4: Enhancing capacity for community development

Technical assistance

Key indicators

Output indicators	**Outcomes**
No. of projects approved in 1997-99	1,244
No. of beneficiaries in 1997-99	168,394
Completers leaving for employment in 1997 (%)	30.1%
Completers leaving for self-employment in 1997 (%)	0.6%
Completers leaving for FE/training in 1997 (%)	26.8%
Completers leaving for unemployment in 1997 (%)	17.6%
Completers gaining qualifications in 1997 (%)	23.1%

Source: Ex ante evaluation of the 2000-06 Objective 3 programme.

ANNEX TO SECTION 3: THE EFFECTS OF SCOTLAND'S STRUCTURAL FUNDS PROGRAMMES

Core indicators used for monitoring Scotland's programmes in 2000-06[96]

ERDF Core Indicators

Jobs and Employment

Gross new jobs created

Number of jobless people securing employment

Number of young people under 25 years of age placed in employment

Number of gross jobs created through self-employment

Gross number of jobs safeguarded

Assistance to Business

Number of existing and new SMEs assisted and number of instances of assistance

Increase in sales in assisted businesses

Hectares of serviced land created or enhanced (by greenfield or brownfield sites)

Square metres of business space created or enhanced – occupied after 18 months / 3 years

Private sector finance levered in by new assisted projects

Value of investment in R&D by assisted SMEs

Number of patents / intellectual property rights registrations by assisted SMEs

Number of organisations taking up e-commerce trading

Increase in visitor numbers

Number and square metres of new training /learning facilities constructed or upgraded

Social Inclusion and Equal Opportunities

Number of assisted organisations introducing equal opportunities / environmental policies

Number of childcare facilities and places created

[96] Scottish Executive (2000b) *op.cit*.

Number of organisations achieving recognised quality awards

Environment

K/W of new renewable energy infrastructure installed

Number of SMEs undertaking environmental management

Number of strategic environmental / forestry partnerships funded

Hectares of natural habitat under management

Increase in volume of waste recycled or reused

ESF Core Indicators

Number of beneficiaries of ESF assistance, show separately:

- % of persons aged 16-24 receiving assistance
- % of this group unemployed for less than 6 months before assistance began
- % of persons aged 25 and over receiving assistance
- % of this group unemployed for less than 12 months before assistance began

% of those who complete their course

% of those leaving ESF funded training for positive outcomes, split by end destination:

- Into full or part-time employment
- Self-employment
- Full-time FE / training / other Government training schemes

% of leavers who gain a qualification or part qualification

% of beneficiaries who receive assistance specifically geared towards self employment

Number of existing companies given direct assistance from ESF

% of parents with children under 5, who are in employment 6 months after ESF assistance