

MAINSTREAMING SUSTAINABLE DEVELOPMENT IN STRUCTURAL FUNDS PROGRAMMES

A Position Paper By The ESEP Key Policies Group In The Context Of Experience In Scotland To Date And A Suggested Way Forward For The Next Programming Period

Introduction

1. The proposed regulations for Structural Funds, COM (2011) 615 of 6 October 2011, set out mandatory requirements to mainstream sustainable development (see for example Article 10, Annex A). This fits the robust policy context set by both the Europe 2020 Strategy for smart, sustainable and inclusive growth, and the Scottish Government Economic Strategy for sustainable economic growth. The latter, revised in September 2011, has added a new strategic priority: the Transition to a Low Carbon Economy.
2. ESEP's Key Policies Group (for full current membership see Annex B), with over 12 years' experience, advocates an integrated approach to incorporating sustainable development into Structural Funds Programmes. This paper sets out some key messages about this process as a potential contribution to the design of the 2014-2020 Structural Funds Programmes: what it means; why it is the right approach; the practical outcomes; the downside risks; and the need for an integrated process.

An Integrated Approach

3. An integrated approach means one that treats economic development, social inclusion, equal opportunities and environmental sustainability together. The inspiration for this was captured in advice from the Scottish Executive in 2000 which stated:

"Sustainable development is defined in the Treaty of Amsterdam in the context of financial instruments, including Structural Funds, as follows: the Union's financial instruments are required to work, simultaneously and in the long term interest, towards economic growth, social cohesion and the protection of the environment: in other words sustainable development."

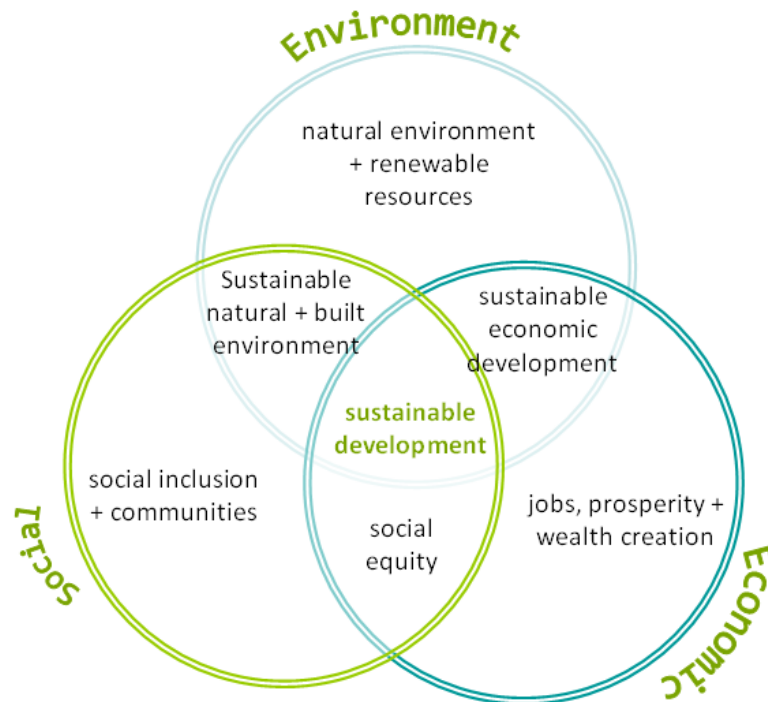
4. In a similar vein, a recent Communication from the European Commission in preparation for the United Nations Conference on Sustainable Development (Rio+20) argues for:

"An economy that generates growth, creates jobs and eradicates poverty by investing in and preserving the natural capital offers (sic) upon which the long-term survival of our planet depends" (COM (2011) 363).

5. ESEP initially developed its approach to sustainable development through a Commission led pilot project in 1998. This was championed in presentations to other EU regions in seminars in Brussels and Berlin, and commended in an independent evaluation review. The approach was then mainstreamed within the 2000-2006 Programmes, and aspects of the experience incorporated into delivery of the 2007-2013 LUPS Programmes. Scottish Government drew on ESEP's work in the development of toolkits on Best Value and sustainable development for the wider

public sector. The European Commission's Ex-Post Evaluation of the 2000-2006 Objective 2 Programmes¹ again commended the approach.

6. Symbolically, the approach can be depicted by the familiar 3-circle diagram which represents the aim to align the economic, social and environmental components of policies and programmes:



7. To try to secure this alignment at Programme level required thinking through all aspects from the determination of priorities through to the design of consistent and comprehensive criteria for project design, selection and evaluation. This was carried out with wide ranging consultation, then the approach was tested and training sessions held with Advisory Groups, project managers and developers, drawing on their experience and expertise to improve the process.

The Case For Integration

The Economic, Business Case

8. There is a strong economic argument for taking a sustainable approach to delivering growth. As Scotland's share of European Structural Funds diminishes, and domestic funding is under increasing pressure, there is an added urgency and need to increase the effectiveness of all spending.
9. We have good evidence that projects and programmes can deliver multiple benefits for the same cost, delivering against a range of Government priorities. There is also evidence that being sustainable will contribute to making Scotland more competitive as a place, attracting businesses and people to live and work.
10. Countries around the world are recognising the need to move towards low-carbon, resource efficient economic systems, and are investing in new technologies to

¹ Ex Post Evaluation of Cohesion Policy Programmes 2006, Work Package 11: Management and Implementation Systems for Cohesion Policy

achieve this. Scotland has some key competitive strengths in these fields, both in terms of existing technology and research activity, and it can use these to stimulate economic recovery and job creation. Without a concerted, collaborative, energetic drive in this direction, we risk losing out to international competitors.

Efficient and Effective Governance – Simple and Coherent

11. Governmental support for these processes of transition and development has to be one of enabling and correcting market failures. Such interventions *“should be as simple and streamlined as possible to ensure efficient implementation and the reduction of administrative burden for beneficiaries”* (COM (2011) 615). The Government Economic Strategy argues that *“it is only by the actions of the public sector being fully coordinated and aligned can we maximise Scotland’s potential.”*

Compliance Issues

12. A key aspect of simplicity and alignment is to ensure that where there are relevant legal compliance matters, these too can be built in rather than requiring separate procedures. The proposed General Regulation states that ex-ante evaluations of 2014-2020 Programmes must appraise the adequacy of planned measures to promote equal opportunities between men and women, sustainable development and incorporate the requirements for Strategic Environmental Assessment.
13. Public bodies in Scotland, such as local authorities, further and higher education institutions, non-departmental public bodies including the statutory environmental bodies, and Government agencies, must meet statutory public duties on climate change, and on equal opportunities. It therefore makes much more sense for project sponsors to take a holistic approach to mainstreaming sustainable development – jointly addressing the social, economic and environmental aspects of project activity and outcomes, rather than carrying out evaluation and reporting on climate change and equal opportunities as separate exercises.
14. In the UK, the principle anti-discrimination legislation is the Equality Act (2010) which regulates the behaviour of employers and training providers. The Act introduces a single public sector equality duty (PSED), which will also include the protected characteristics of sexual orientation, religion and belief, age, pregnancy and maternity, and marriage and civil partnership. Further specific duties are likely to come into force in April 2012. In advance of the specific duties, the Equality and Human Rights Commission advise that Scottish Government and other public bodies should continue to conduct equality impact assessment, and other processes, to ensure that equality outcomes are delivered.
15. With similar mandatory status are the Public Bodies Duties under the Climate Change (Scotland) Act 2009. This has strengthened earlier general duties for bodies to contribute to sustainable development as part of Best Value, with specific duties to tackle and adapt to climate change and for any public body to act *“in a way that it considers is most sustainable”*. Embedding these requirements, and those noted above, into Structural Funds procedures from the outset can avoid the risks outlined in paragraphs 20-21 below.

Integration In Practice

16. Experience of mainstreaming sustainable development in this way is that it has paid off. Multiple benefits have been delivered and overall outcomes enhanced. The 2009 Ex-Ante Evaluation of the 2000-2006 ERDF Objective 2 Programmes across the EU contained a mini case-study on Eastern Scotland which reported that²:

In practice, small changes relevant to sustainable development were made to a large number of projects. For example, including energy insulation in the restoration of listed buildings meant that the project encompassed environmental improvement, job creation / training, and energy efficiency as well as social dimensions. Other relevant examples included environmental projects involving woodlands that could create jobs and also have an environmental education role, or social enterprise projects that created employment opportunities through engaging in environmental improvements in their area.

17. There are innumerable further examples of the benefits of an integrated approach. For example, commercialisation of research projects identified that there was a gender imbalance in the participation of researchers in the project, and took proactive steps to encourage greater involvement by female researchers. This widened the pool of participants in commercialisation, and products developed have the potential to improve social inclusion. Skills development projects have addressed the opportunities provided by the investment in the low carbon economy by providing the necessary skill sets and engaging with ESF target groups, identifying and minimising barriers to participation in key growth sectors from currently under-represented groups.³ Projects can pilot energy efficiency measures for the retrofit of existing social housing stock, and will have multiple positive benefits not only for environmental sustainability, but also for social inclusion, by contributing to reducing fuel poverty.

18. Over the 2000-2006 Programme period, the evaluation⁴ concluded:

Participants gained a broader understanding of SD ... reducing the time and effort required to assist project applicants to incorporate SD factors. This reflected the ESEP expectation that if SD is firmly embedded in the process, it becomes normal practice. Adopting the core criteria approach, latterly supplemented with demonstration projects, had not required a large transition, but only marginal change with careful steering and support. In practice, there were small changes to a large number of projects, for example ensuring that projects acknowledged and accommodated more dimensions of sustainable development. Evaluation found no evidence that mainstreaming sustainable development had jeopardised economic performance in Eastern Scotland.

19. The last comment above is particularly important, and supports the Key Policies Group's own assessment that there is no evidence that taking full account of social inclusion, equalities and the environment damages economic performance. In fact it does the opposite: it enhances it.

² Ex Post Evaluation of Cohesion Policy Programmes 2006, Work Package 11: Management and Implementation Systems for Cohesion Policy

³ The Women and Work Commission estimated that occupational segregation, unfair pay systems, and a lack of flexible working, cost the UK economy £23bn, equivalent to 3 per cent of GDP. The Scottish Resource Centre for Women in Science, Engineering and Technology (SET), identify that over 70 per cent of women who have studied SET do not work in SET occupations.

The Risk Of Fragmentation

20. The alternative to the integrated approach to mainstreaming has been to pursue topics such as environmental sustainability and social inclusion as separate horizontal themes. In some circumstances, this alternative has been effective in raising awareness of environmental or social issues. More typically, however, it has raised perceptions that these are separate from, or even in conflict with, economic development. As a consequence, there is a risk of failing to realise the potential of using scarce resources to secure multiple benefits.
21. Perhaps more serious still, if sustainable development is kept separate or fragmented into its components it can be seen as marginal – an optional extra or ‘bolt-on’ which is seen as adding to costs and complexity, or is treated as ‘special’, and therefore limited to only parts of a Programme. If this arises, progress will inevitably be constrained.

How: An Integrated Approach Needs An Integrated Process

Investment In The Mainstreaming Process

22. The Europe 2020 Strategy presents a sustainable development approach to EU Funding Programmes, advocating a holistic, integrated approach to the economic development challenges we face. It is matched by the Scottish Government Economic Strategy.
23. Economic development challenges cannot be separated out from social and environmental issues, including resource constraints. It makes sense to address these in an integrated way, even though this may involve a wider range of contributors to planning and decision-making in the development of Programmes. Too narrow a focus can mean that important risks and opportunities are overlooked, and the intended benefits of policies and interventions are not fully realised. This does require initial and sustained investment in the mainstreaming process.

Partnership and Leadership

24. The key resource input required is building an effective partnership, drawing on the skills of all parties but aiming to secure a shared ownership of the Programme and approach. While the formal processes are important to ensure that mainstreaming takes place, it also requires a supportive culture and strong leadership behaviours where an integrated approach is valued. Management has a key role in making this happen, highlighting the benefits of cross-team and interdisciplinary working and partnership activity, recognising good practice, and identifying procedural or behavioural obstacles.

Measurement: Indicators, Monitoring And Evaluation

25. It is also clear⁵ that a systematic and rigorous use of well-defined outcome indicators can be a very powerful tool for increasing policy effectiveness. One of the most recurrent mistakes which are made in attempting to orient policy to results is that indicators are assigned a marginal and technical role, with their selection being carried out separately and/or postponed until after approval of the programming documents. It will be imperative to build in from the outset an integrated approach to programme design, project selection, monitoring and evaluation so that they are seamless and reinforce one another. Having relevant, measurable and useful indicators which reinforce good practice and contribute to the National Performance Framework as well as to Europe 2020 targets will be an important element in making the cohesion policy more effective.

Practical Demonstrations

26. One final component that is necessary alongside mainstreaming the principles set out above is to have practical examples of what those principles mean. To have successful case studies (and the stories they can generate) is invaluable as a means to enable knowledge exchange and learning to take place. This means there is a role for specific targeted action within the investment priorities of a Programme to complement the mainstreaming across all projects in the Programme.

Conclusions

27. Experience of an integrated approach to sustainable development has shown a consistent set of benefits:
- Competitive advantage for the Programme area
 - More effective use of resources
 - More sustainable outcomes (including jobs that last longer; and more diversified and resilient businesses)
 - More integrated and coherent Programmes
 - Identifying common solutions and benefits
28. An integrated approach is an iterative process, building on existing knowledge, experience and understanding of the practical implementation of mainstreaming. We would suggest that the key components of mainstreaming are:
- Leadership and partnership in the preparation and running of Programmes
 - It is built into the fabric of the Programmes through a 'twin-track' approach of vertical (specific actions) and horizontal (mainstreamed in all projects)
 - Covering the life cycles of Programmes and projects, including the preparation of Operational Programmes, adoption and implementation of appraisal criteria, measurement and monitoring/evaluation
 - Capacity building and awareness raising with project sponsors and stakeholders

⁵ Outcome Indicators and Targets: Towards a new system of monitoring and evaluation in EU Cohesion Policy, June 2011 revised version – High Level Group Reflecting on Future Cohesion Policy

Sustainable development features strongly in the policy context for the development and implementation of the Scottish Structural Funds Programmes for 2014-2020, reflecting the priorities in both the Europe 2020 Strategy and the Scottish Government Economic Strategy. Adoption of an integrated approach to sustainable development throughout the Programme's life cycle will help to ensure compliance with regulation and legislation, ensure more effective use of resources, and address the vertical and horizontal integration of sustainable development advocated in the draft Regulations.

This is an initial position paper from the Key Policies Group and the Group is willing to develop this further if invited by the Programme Monitoring Committee to do so, as part of the preparation process for the 2014-2020 Structural Funds Programmes in Scotland.

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Chair
Key Policies Group**

October 2011

ANNEX A

Extract from COM (2011) 615 final – Proposed Regulation (common provisions)

Common Strategic Framework (CSF)

Article 9

Thematic objectives

Each CSF Fund shall support the following thematic objectives in accordance with its mission in order to contribute to the Union strategy for smart, sustainable and inclusive growth:

- (1) strengthening research, technological development and innovation;
- (2) enhancing access to, and use and quality of, information and communication technologies;
- (3) enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF);
- (4) supporting the shift towards a low-carbon economy in all sectors;
- (5) promoting climate change adaptation, risk prevention and management;
- (6) protecting the environment and promoting resource efficiency;
- (7) promoting sustainable transport and removing bottlenecks in key network infrastructures;
- (8) promoting employment and supporting labour mobility;
- (9) promoting social inclusion and combating poverty;
- (10) investing in education, skills and lifelong learning;
- (11) enhancing institutional capacity and an efficient public administration.

Thematic objectives shall be translated into priorities specific to each CSF Fund and set out in the Fund-specific rules.

Article 10

Common Strategic Framework

In order to promote the harmonious, balanced and sustainable development of the Union, a Common Strategic Framework shall translate the objectives and targets of the Union strategy for smart, sustainable and inclusive growth into key actions for the CSF Funds.

ANNEX B

ESEP Key Policies Group Membership

Ingrid Green	East of Scotland European Consortium
Dr Calum Macleod	University of Highlands and Islands (formerly SEPA/Scottish Structural Funds National Adviser on Sustainable Development)
Angela O'Hagan	Member of Equality and Human Rights Scotland Committee
Emma Ritch	Close the Gap/STUC
Claudia Rowse	Scottish Natural Heritage
Elaine Whyte	Royal Conservatoire of Scotland (formerly Policy Officer, Scottish ESF Objective 3 Programme)
Gordon McLaren	ESEP Ltd (Chair)
Can Kostepen	ESEP Ltd
Muriel Mackenzie	ESEP Ltd (formerly Scottish Structural Funds National Adviser on Equal Opportunities)
Tim Birley	ESEP Sustainable Development Consultant
Andrew Llanwarne	Consultant (formerly Scottish Enterprise)
Alan Speedie	Consultant (formerly Chair of Sustainable Scotland Network)