

EASTERN SCOTLAND OBJECTIVE 2 PROGRAMME 1997 - 1999

FINAL REPORT



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CHAPTER 1: INTRODUCTION

1.1 Introduction to Programme

The Single Programming Document for the Objective Two region of Eastern Scotland was prepared in line with a partner vision to create “a dynamic, innovative and competitive regional economy where people and businesses are well equipped to face the challenges of new and emerging European and international markets”. The Commission’s ARINCO number for the Programme was 97 UK 16.003 and its ERDF reference number was 97.09.13.003. The ESF reference number for the Programme was 97 2202 UK2.

The Eastern Scotland Programme Area (ESPA) was comprised of nine Travel to Work Areas (TTWA’s). These are the Alloa, Arbroath, Bathgate, Dundee, Dunfermline, Edinburgh (part), Falkirk, Kirkcaldy and Stirling (part) TTWA’s. The population of the Programme Area was approximately 1.1 million.

The Single Programming Document (hereafter referred to as the SPD) covered the period from 1 January 1997 to 31 December 1999. The Commission Decision to approve the Eastern Scotland SPD was taken on 03 April 1997 and committed to the region a budget allocation over three years of 139.918 MEURO (1997 Prices) across two Structural Funds as follows:

ERDF	110.710 MEURO
ESF	29.208 MEURO

To this global maximum allocation was added an amount of 4.808 MEURO not subject to indexation, resulting from unused appropriations of the corresponding Single programming document covering the period 1994 – 1996.

The Commission issued four separate decisions for the Programme during the Programme period to take account of agreed changes in the SPD financial tables. These were issued on 03 April 1997, 12 November 1998, 24 August 1999 and 07 April 2000 and are attached for information as **Annexes 1 (i-iv)**.

1.2 Strategy of the Programme

The production of the SPD for the 1997 – 1999 period was based on the regional and social conversion plan for Eastern Scotland and more particularly through experience in the implementation of the Eastern Scotland SPD for the 1994 – 1996 period. This resulted in a number of modifications to the structure of the SPD and to a degree of refocusing and reprioritisation in a number of key development areas.

Fundamentally, the SPD for the 1997 – 1999 period recognised the primary drive for job creation and competitiveness and a need to tackle economic and social disparities within the programme area by concentrating resources on the worst affected areas. The aims and needs of the programme were focused and concentrated on key issues such as SME development, tourism, technology and innovation, and on areas of particular disadvantage through the promotion of locally based initiatives. The achievement of the SPD strategy was sought through a programmed structure of five priorities (including Technical Assistance) reinforced by a package of detailed and integrated measures that set the region an ambitious and challenging strategic aim:

“to contribute to a reduction in economic disadvantage in the Eastern Scotland Programme Area through assistance for the creation of new and additional jobs and by assisting progress through partnership”.

In order to maximise the additional impact of the Structural Fund programme resources, programme management structures and operational systems were developed and refined. This helped to ensure effective co-ordination and complementarity between the additional activities of the programme and other existing forms of assistance, operated by local, regional and national bodies.

1.3 The Eastern Scotland European Partnership

The Eastern Scotland Objective 2 Partnership was principally composed of organisations from the following key partner constituencies:

- Government Departments and Agencies;
- Scottish Enterprise Network;
- Local Authorities;
- Higher Education;
- Further Education; and,
- The Third Sector.

A full list of the organisations, categorised into the above partner constituencies, who participated either as project applicants, or in a strategic capacity in the implementation of the Eastern Scotland Objective 2 Programme during 1997 - 1999 is attached as **Annex 2**.

CHAPTER 2: OPERATIONAL CONTEXT

2.1 Socio-Economic Update

The SPD for the 1997 – 1999 period provided an update of the socio-economic position of the Eastern Scotland Objective 2 Programme Area originally detailed in Section 1.1 of the approved SPD document for the 1994 – 1996 period. During this update which took place in mid 1996, the latest available socio-economic data was reviewed with a view to identifying developments which may have implications for the priorities of the 1997 – 1999 Programme. The general assessment of this update was **that the major structural problems facing the region remained unaltered**. As a result, it can be assumed that the socio-economic situation of the region had no unforeseen effect on the implementation of the programme.

Amongst the socio-economic characteristics of the Programme Area detailed in the update of available data, it was highlighted that average earnings in the Programme Area were well below the GB average. For example, in the case of male wage rates these were up to 10% lower than the national average in some parts. The socio-economic update also pointed to a “traditional employee culture” in the Programme Area, with higher than average proportions of males and females in full time employment, and low levels of self-employment. With regard to the small SME base in Eastern Scotland, the update highlighted the below average number of companies operating in the area and speculated on the substantial improvements that could be made to the regional economy if this figure was improved. In seeking to address this weakness in the SME base, an important element of the 1997 – 1999 Programme was its focus on the need to promote entrepreneurship and indigenous industries.

The socio-economic update also recognised that in comparison to both Scotland and Great Britain, the Programme Area was characterised by a significantly higher proportion (30.6%) of industrial employment as a percentage of total employment. In contrast, the Programme Area was under-represented in the ‘private services’ sector that includes retailing, distribution and financial services. The update observed that the continuing decline of the regions industrial base remained a serious structural problem. The effects of this decline were also accentuated by the fact that it was concentrated in those areas where unemployment was already high. In seeking to counter the negative economic and social effects of high unemployment, an important element of the 1997 – 1999 Programme was the development of Locally Based Initiatives, where assistance was geographically targeted at the most disadvantaged parts of the Programme Area.

2.2 Political/Legislative Developments Affecting the Implementation of the Programme

Following the changes to the structure of local government during 1996, the new programme settled down well with its new representation. In comparison to the final year of the SPD for the 1994 – 1996 period, there was a significant increase in the level of interest and activity shown by local authorities in project development in 1997. This can be explained by the fact that all the new authorities had defined their policy objectives and agreed their strategic priorities for 1997 by the time of the first call for applications for the 1997 – 1999 Programme in December 1996.

The establishment of the Scottish Parliament had significant implications for the running of the Programme in 1999. It not only raised the general profile of the Structural Funds in Scotland as a whole amongst Scottish politicians, but through the Parliament's European Committee established a clear line of scrutiny regarding how the Eastern Scotland Objective 2 Programme was being implemented. This trend has continued into the 2000 – 2006 period where formal consultation on the development of the new East of Scotland Objective 2 plan document took place with the Parliament's European Committee.

2.3 Integration with other Structural Fund Instruments

The Eastern Scotland Programme integrated with and was complementary to a number of other European Structural Fund instruments including Community Initiatives and Community Loans through the European Investment Bank (EIB).

2.3.1 Community Initiatives

Within the Objective Two area, additional support was potentially available during the Programme period from seven of the Community Initiatives. These were:

ADAPT, EMPLOYMENT, PESCA, RECHAR II, RETEXT II, KONVER II and SME.

During the period of the 1997 - 1999 Programme, the Programme Executive is aware of the following levels of additional support being made available to the Programme Area:

PESCA	a total of 34 projects from Tayside and Fife were approved under the PESCA Programme. These projects were awarded a total of £608,024 ERDF grant, £168,979 ESF grant and £111,888 FIFG grant.
RECHAR II	a total of 92 projects from Eastern Scotland were approved under the RECHAR II Programme. These projects were awarded a total of £4,490,286 ERDF grant and £1,395,630 ESF grant.
KONVER II	a total of 34 projects from Eastern Scotland were approved under the KONVER II Programme. These projects were awarded a total of £4,727,859 ERDF grant and £826,506 ESF grant; and,
SME	a total of 14 projects specifically targeted at Eastern Scotland were approved under the Lowland Scotland SME Initiative. These projects were awarded a total of £2,431,906 ERDF grant and £178,457 ESF grant.

In order to promote integration between the Structural Funds, the Programme Monitoring Committee was also provided with regular reports and updates on the implementation of the RECHAR II and SME Community Initiatives. On a practical level the Programme Executive (see page 22), who was responsible for managing the Objective 2 Programme, often referred potential applicants to the Community Initiatives as an alternative source of funding where it was felt that they offered a more appropriate strategic fit than Objective 2.

2.3.2 *European Investment Bank*

With regard to the operation of the European Investment Bank (EIB), Scotland as a whole is a priority focus for investment for the EIB. This is due to its regional development status; the key role of the North Sea in the European energy sector; as well as Scotland's position in the transport, energy and telecommunication networks of the UK and as part of the "landbridge" to Ireland. Over the past ten years, the EIB has lent £2.2 billion in Scotland to finance capital investment in industry, infrastructure and energy and has contributed to a gross additional investment of about £7 billion, more than three times the level of the EIB loans. During 1997 – 1999 the EIB lent a total of £144.2 million to three organisations in Eastern Scotland. These included a loan of £37 million to Falkirk Council for the reconstruction of five schools in the Falkirk area and £27.2 million for the modernisation and extension of passenger facilities at Edinburgh Airport.

CHAPTER 3: PROGRAMME ADMINISTRATION AND MANAGEMENT

3.1 Programme Implementation Arrangements

The implementation arrangements for the Eastern Scotland Objective 2 Programme 1997 – 1999, in particular the committee structure, composition and terms of reference, were agreed subject to certain minor amendments by the SPD Monitoring Committee at its first full meeting on 21 April 1997. They were based very closely on the arrangements that operated during the 1994 – 1996 period. The SPD Monitoring Committee agreed the final version of the implementation arrangements at its meeting on 28 July 1997. A copy of these papers has been attached for information as **Annex 3**.

3.2 Project Selection Methodology and Criteria

The project selection methodology and criteria for the Eastern Scotland Objective 2 Programme 1997 – 1999 was agreed subject to certain minor amendments by the SPD Monitoring Committee at its meeting on 21 April 1997. Although it was based on the criteria that operated during the 1994 – 1996 period, the Programme Executive undertook a complete review of the project appraisal system in early 1997. This was done to ensure that the system was compatible with the new SPD and to learn from the experiences of the 1994 – 1996 period by introducing more efficient and transparent working practices. The SPD Monitoring Committee at its meeting on 28 July 1997 agreed the final version of the project selection methodology and criteria. A copy of these selection criteria has been attached for information as **Annex 4**.

3.3 Programme Committees and Groups

The Eastern Scotland Objective 2 Programme 1997 – 1999 was implemented through a three-tier committee structure comprising the SPD Monitoring Committee, the Programme Management Committee (PMC) and four Advisory Groups covering both Funds. All committees in the programme had a membership structure which was representative of the wider Objective 2 partnership, although appointment was made by The Scottish Executive on the basis of nominations received from the various partner constituencies. Staff from the Programme Executive provided the administrative support to this three-tier committee structure.

3.3.1 SPD Monitoring Committee

This Committee was chaired by the Scottish Executive and was principally responsible for ensuring:

- compliance with regulations;
- effective implementation of the Programme measures;
- compliance with other Community Policies;
- effective programme evaluation;
- agreement of technical assistance measures;
- co-ordination between funds and other financial instruments; and,
- the agreement of project selection criteria.

The composition of the Committee was in line with Article 4 of Regulation (EEC) No 202/88 and included representatives of the local partnership along with representatives of the Implementing Authority and the European Commission.

The Committee representation was agreed on the following basis:

- The Scottish Executive - Chair
- The Scottish Executive - Departmental representatives (as appropriate)
- European Commission - Representation as appropriate
- Local Authorities - 3 representatives
- Scottish Enterprise Network - 2 representatives
- Higher Education - 1 representative
- Further Education - 1 representative
- Scottish Tourist Board - 1 representative
- Scottish Natural Heritage - 1 representative
- SEPA - 1 representative
- SCVO - 1 representative
- Dept of Trade & Industry - 1 representative (as observer)
- Dept for Education & Employment - 1 representative (as observer)

There were sixteen SPD Monitoring Committee meetings held during the programme period and subsequently where issues relating to the implementation of the 1997 – 1999 Programme had formed part of the agenda. The dates and locations of these meetings and the key decisions made and agenda items discussed at them are outlined below:

- 21 April 1997, Stirling – the key decisions made at this meeting included the agreement subject to minor amendments of both the implementation arrangements for the 1997 – 1999 Programme and the project selection methodology and criteria. Due to the slight delay in approving the programme and to ensure a continuity of activity, it was also agreed that ERDF and ESF projects that had started prior to the date of the first PMC meeting could still be eligible for support at the first PMC meeting. In addition, to comply with the Commission requirements for approving the SPD, the Committee also agreed the arrangements for the provision of the Baseline Data report and the provision of regular labour market information. The Committee also considered a paper relating to a technical assistance application for the operation of the Programme Executive, but requested more information before it could be approved;
- 28 July 1997, Edinburgh – the key decisions made at this meeting included the final agreement of both the implementation arrangements for the 1997 – 1999 Programme and the project selection methodology and criteria. Update papers were also provided on the progress of two strategic studies that were being undertaken through technical assistance. These were the *Tourism Strategic Focus* and the *Technology and Innovation Strategic Policy Framework*. The Committee also agreed a proposal for the allocation of additional resources in the Eastern Scotland RECHAR II Programme 1994 – 1999;

- 24 November 1997, Edinburgh – the key agenda items discussed at this meeting included consideration of the first draft of the Baseline Data report. A number of comments were forthcoming from the Committee on this first draft and it was agreed that further work would be required prior to its formal approval. The Committee also considered a revised technical assistance application for the operation of the Programme Executive and approved resources for 1997 and the first four months of 1998. The Committee was also informed that a proposal from the Eastern Scotland Objective 2 Programme, specifically to address the important issue of Sustainable Development had been submitted to the Commission under Article 7 of the European Regional Development Fund;
- 26 January 1998, Dunfermline – the only item on the agenda for this extraordinary meeting was consideration of a number of proposed changes to the agreed SPD targets that had been suggested in the draft Baseline Report. The development of a Baseline Report was a Commission condition of Programme approval. It was also important as the setting of clear and relevant SPD targets would allow the performance of the Programme to be realistically reviewed and would assist the advisory groups in the future assessment of projects. After significant discussion and the request for certain changes to be made, the Committee agreed that a further draft of the Baseline Report, once completed, should be circulated to members for more detailed comment with a view to its agreement at the next full meeting;
- 20 April 1998, Bathgate – amongst the agenda items discussed and agreed at this meeting was the continued concerns of the Committee relating to the accuracy and acceptability of the Baseline Report. Following extensive debate, it was agreed to terminate the contract with the existing consultants and to make alternative arrangements in order to finalise the report. The Committee also agreed a development proposal aimed at stimulating additional activity in the Technology and Innovation Priority. The proposal was specifically aimed at addressing the low number of new ERDF and ESF applications being received in this priority, which it was feared would lead to a serious underperformance in the achievement of SPD targets if allowed to continue. The development proposal was to be co-financed by technical assistance and was viewed by the Committee as a proactive, practical and targeted exercise. The Committee also approved the initial report of the Sustainable Development Project that was co-financed under Article 7 of the European Regional Development Fund;
- 26 June 1998, Dunfermline – amongst the agenda items discussed and agreed at this meeting was an interim report of the Sustainable Development Project. This report highlighted that work undertaken to date on the project had been concentrated in the context of the current Objective 2 SPD. In particular, although the current SPD contained many references to sustainable development, this was not in every case reflected in the approved SPD indicators. Many of the additional indicators developed by the Sustainable Development Steering Group were subsequently incorporated into the Baseline Report. The Committee also agreed a consultancy brief for a combined Ex-post Evaluation of the Eastern Scotland 1994 – 1996 Objective 2 Programme and the Interim Evaluation of the 1997 – 1999 Programme;

- 11 September 1998, Dundee – amongst the key items discussed at this meeting was the approval of ESF grant into 2000. This was proposed both as a way of maximising the overall ESF commitment levels in the 1997 – 1999 Programme and to ensure a continuity of project activity until the new Objective 2 Programme was formally approved. As a result, it was agreed that extensions to 30 June 2000 could be offered to sponsors of 1999 ESF projects in order to enable existing beneficiaries to complete their training, subject of course to the provision of satisfactory monitoring information. The Committee was also given an update on the Combined Ex-post Evaluation of the 1994 – 1996 Programme and the Interim Evaluation of the 1997 – 1999 Programme. They were advised that since the last meeting, a Steering Group had been established to manage the study and following a competitive tendering process EKOS Ltd had been commissioned to undertake the work;
- 01 February 1999, Dunfermline – the key item discussed at this meeting was a paper outlining a preliminary position for the allocation of indexation resources and virement between Programme measures. It was agreed that the Committee would wait until the results of the Interim Evaluation of the 1997 – 1999 Programme were known and an analysis of forecast project targets approved to date had been undertaken before any firm decisions were taken on the allocation of additional resources. As this process would require a modification of the SPD financial tables by the Commission, it was agreed that an extraordinary meeting should be held in April in order to finalise indexation and virement proposals. This meeting also amended the maximum date for extensions to 1999 ESF projects from 30 June 2000 to 31 December 2000;
- 12 April 1999, Dunfermline – in all two items were discussed at this extraordinary meeting. Firstly, there was a presentation by the consultants of the findings of the ex-post evaluation of the 1994 – 1996 SPD and the interim evaluation of the 1997 – 1999 SPD. Secondly, a paper was discussed outlining a proposal for the financial rescheduling of the 1997 – 1999 Programme to take account of indexation resources and virement between Programme measures. The paper provided both an analysis of the current and forecast financial commitment levels for each Programme measure, as well as highlighting the additional employment benefits which would potentially accrue to the Programme Area if additional resources were allocated to those measures that were overbid. The proposal was agreed and the Implementing Authority was requested to formally propose the modifications to the Commission;
- 22 October 1999, Dunfermline - the key item agreed at this last formal meeting of this Committee was a further proposal for financial rescheduling of the 1997 – 1999 SPD to take account of virement between Programme measures. This new proposal took full account of underbids that had occurred in a number of Programme measures since the last meeting. In addition, negative developments that had occurred in the economy of the Programme Area during 1999 with regard to significant job losses and the subsequent efforts being made to assist the affected communities were also reflected in the revised proposal;

- 28 November 2000, Dunfermline - the main decision taken at the first Monitoring Committee meeting of the East of Scotland Objective 2 Programme 2000 – 2006 was to agree the implementation arrangements and Committee structure for that programming period. One of the agreed functions for the Monitoring Committee is to undertake any residuary tasks relating to the reporting and closure of previous Objective 2, Objective 5b and Community Initiative Programmes for which the region was eligible in the 1994 – 1999 programming period;
- 05 March 2001, Dunfermline – in line with the Commission's condition of grant, a report on the activities of the two risk capital funds supported during the 1997 – 1999 Programme was considered by the Committee. It was agreed that prior to any new risk capital funds being supported in the 2000 – 2006 Programming period an independent evaluation should be undertaken to identify the key market gaps;
- 10 September 2001, Dunfermline – a presentation by the consultants on the initial findings of the risk capital evaluation study was made to the Committee at this meeting. It was also agreed to establish a Risk Capital Working Group to take forward these findings;
- 13 February 2002, Dunfermline – a report from the Risk Capital Working Group was considered at this Special Monitoring Committee meeting;
- 15 April 2002, Dunfermline – as part of its residuary responsibility for 1994 – 1999 Structural Fund Programmes, the Committee was given an oral update on the progress being made to complete Final Reports. In addition, the Final Reports undertaken on the two risk capital funds supported during the 1997 – 1999 Programme were circulated for information; and,
- 21 October 2002, Dunfermline – as part of its residuary responsibility for 1994 – 1999 Structural Fund Programmes, the Committee agreed a paper giving timescales for the completion of Final Reports.

In addition to these formal meetings, use was made on two occasions in 1997 of the written procedure mechanism. This was done with the agreement of the Committee and enabled the *Tourism Strategic Focus* and the *Technology and Innovation Strategic Policy Framework* to be agreed out-with the normal meeting cycle. The written procedure mechanism was used once in 1998 in order to approve an ESF technical assistance application for SCVO and in 1999 it was used twice. These related to finalising proposals for the rescheduling of both the 1997 – 1999 Objective 2 Programme and the RECHAR II Programme 1994 – 1999.

3.3.2 Programme Management Committee

This Committee was chaired by the Scottish Executive and was principally responsible for the endorsement for approval of ERDF and ESF projects.

The composition of the Committee was in line with Article 4 of Regulation (EEC) No 202/88 and included representatives of the local partnership along with representatives of the Implementing Authority and the European Commission.

The final Committee representation was agreed on the following basis:

- | | |
|-------------------------------|-------------------------------------------------|
| • The Scottish Executive | - Chair |
| • The Scottish Executive | - Departmental representatives (as appropriate) |
| • European Commission | - Representation as appropriate |
| • Local Authorities | - 6 representatives |
| • Scottish Enterprise Network | - 3 representatives |
| • Higher Education | - 1 representative |
| • Further Education | - 1 representative |
| • Voluntary Sector | - 2 representatives |
| • Local Area Tourist Boards | - 1 representative |
| • Scottish Natural Heritage | - 1 representative |
| • SEPA | - 1 representative |

There were seven PMC meetings held during the Programme period. At these meetings, ERDF and ESF applications were formally endorsed for approval and the various advisory group reports were agreed. The dates and locations of these meetings are listed below:

- 22 May 1997, Arbroath;
- 1 September 1997, Lochgelly;
- 19 December 1997, Falkirk;
- 19 June 1998, Dunfermline;
- 7 December 1998, Stirling;
- 21 May 1999, Dunfermline;
- 15 October 1999, Dunfermline.

In addition to these seven formal meetings, use was made on twelve occasions of the written procedure mechanism during the Programme period. This was done in order to ensure the efficient implementation of the Programme and enabled decisions on key and time critical projects to be made out-with the normal meeting cycle.

3.3.3 Advisory Groups

The work of appraising project applications in the 1997 – 1999 Programme was undertaken through four advisory groups, each of which was responsible for one of the agreed SPD Priorities. The groups are listed below:

- SME Business Development Advisory Group (Priority 1)
- Tourism Advisory Group (Priority 2)
- Locally Based Initiatives (LBI) Advisory Group (Priority 3)
- Technology & Innovation Advisory Group (Priority 4)

Due to the numbers of applications received in Priority 1 and the diversity of activities possible under the priority, the initial appraisal of applications was undertaken by two sub-groups. These were the Business & Trade Development sub-group and the Business Infrastructure sub-group. However, the SME Business Development Advisory Group always made the final recommendations on which projects in Priority 1 should be supported. The members of both sub-groups were also members of the over-arching SME Business Development Advisory Group.

The most notable features in the structure and membership of the advisory groups were that:

- they appraised both ERDF and ESF projects, thus helping to promote greater integration between the two funds;
- membership of the advisory groups was drawn from the key partner constituencies; and,
- the primary consideration for membership was an individual's technical expertise in the development theme/area concerned.

In addition, a Labour Market Strategy Group was established to develop initiatives aimed at improving the quality of labour market information in the Programme Area. The advisory group structure also included an ad hoc Large Projects Group to be used when considering projects judged to be of a strategic or regional significance. Senior staff from the Programme Executive chaired all the advisory groups.

3.3.4 Programme report of the SME Business Development Advisory Group

1997

The Advisory Group met on 5 occasions during 1997. In addition, the Business & Trade Development sub-group met sixteen times and the Business Infrastructure sub-group on ten occasions. A total of 135 ERDF and 222 ESF project applications were appraised by the advisory group in 1997.

When assessing business development revenue applications in 1997, the advisory group highlighted the clear need for co-ordination and continuity in the delivery of support services to SMEs within local areas. In order to achieve this, the majority of the available resources for the whole Programme in Measure 1.2 were approved in 1997 to projects that either met this requirement or sought to develop a closer working relationship between economic development organisations. As a consequence, funding for a number of projects was awarded for a three - year period.

When appraising site development projects submitted in Measure 1.4, the advisory group ensured that projects were in line with the conclusions of the 'Industrial & Commercial Property Market Review'. This review was undertaken in 1996 with the aid of technical assistance and concluded inter alia that the public sector would still be required to intervene in certain areas of the property market if future economic activity in the Programme Area was not to be constrained.

With regard to the appraisal of applications in ESF Measure 1.3 in 1997, the Advisory Group made an early decision that funding would not be given to support standard course provision already available in the Programme Area. Rather, partner organisations were encouraged to develop new courses where clear evidence of demand could be demonstrated. In addition, as the primary focus of this measure was to assist the training needs of SME employees, it was agreed that ESF grant should only be given to projects targeted at unemployed beneficiaries when an applicant could clearly demonstrate how their project met local labour market needs.

1998

The Advisory Group met twice during 1998. In addition, the Business and Trade Development and Business Infrastructure sub-groups each met on 7 occasions. A total of 37 ERDF and 96 ESF project applications were appraised by the Advisory Group in 1998.

In reviewing Measure 1.3 applications, the Advisory Group was concerned that the 1997 final claim information had shown considerable underspend on projects. In addition, many instances of underspend had only been identified at final claim stage, thus making it more difficult to re-allocate the unused funds to other projects. The group agreed that for ESF projects seeking funding to continue into the next year, past performance information should be closely monitored before a decision is taken.

With regard to the appraisal of ERDF projects, the group considered that given the increasingly complex nature of capital projects submitted under Measure 1.4, an independent surveyor's assessment of the key variables used in development appraisals was becoming increasingly necessary. Accordingly, the group recommended that where a development appraisal was requested, the project sponsor must provide an independent assessment of the key economic variables.

1999

The Advisory Group met twice in 1999. In addition, the Business and Trade Development sub-group met 6 times, and the Business Infrastructure sub-group met on 5 occasions. A total of 52 ERDF project applications were appraised in 1999. Of these, 22 were requests to extend approved revenue projects into 2000. The Advisory Group also appraised 62 ESF applications, of which 48 requested an extension into 2000.

When assessing applications for ERDF revenue and ESF extensions in 1999, the Advisory Group paid particular attention to monitoring information in order to ascertain how successful the projects had been in achieving targets. Only those projects that could demonstrate that targets were being achieved were recommended for an extension.

Whilst the Advisory Group recognised the importance of private sector co-finance in the implementation of site development projects in Measure 1.4, they echoed the concern of the SPD Monitoring Committee that private sector co-finance could not directly substitute for public sector funds. The Advisory Group also indicated that the wider issue of how the Programme engages with the private sector needed to be reviewed in the formulation of the Structural Fund programmes post 1999, and guidance issued to project sponsors.

3.3.5 Programme report of the Tourism Advisory Group

1997

The Advisory Group met on 13 occasions during 1997. A total of 48 ERDF and 42 ESF project applications were appraised by the Advisory Group in 1997.

When assessing applications to Measure 2.1, the Advisory Group sought to promote a joint approach to the marketing of the tourism product at a regional level, rather than support a number of similar project applications from different agencies. As a result, a closer co-ordination and integration of provision at the local area between development agencies has been encouraged. The Advisory Group also sought to encourage applications aimed at promoting activity in the off-season months.

With regard to the appraisal of applications in Measure 2.2, the Advisory Group agreed that the priority for support must be on those projects that demonstrated both a clear focus on value for money and a clear fit with the scope of the Measure. The forecast economic impacts generated by the project and the evidence of demand also needed to be transparent, and proposals had to demonstrate precise links to local and regional tourism strategies. In particular, the Eastern Scotland *Tourism Strategic Focus* which was approved in 1997 was seen as an essential aid to the effective appraisal of all tourism applications. A report on the development of the *Tourism Strategic Focus* is detailed on pages 22 - 23 of this document.

The Advisory Group spent a significant amount of time appraising one strategic project submitted during 1997. Project ES/TD/97/024 - The Millennium Link, proposed by British Waterways Board, sought substantial resources from Measure 2.2 and the Advisory Group had to be convinced of the potential tourism impacts that the project would provide. Following substantial additional information provided by the applicant, an ERDF grant of £3,840,000 was formally endorsed by the PMC on 24 February 1998.

During 1997, the focus of the Advisory Group in the allocation of ESF resources in Measure 2.3 was on the need to stimulate training activity within the tourism industry, with training providers providing training geared to the needs of the industry rather than just supporting standard college provision.

1998

The Advisory Group met on 9 occasions during 1998. A total of 31 ERDF and 24 ESF project applications were appraised by the Group in 1998.

Amongst the issues considered by the Advisory Group during the year was the need for project sponsors to clearly demonstrate evidence of demand in the ERDF application form. Sponsors were reminded that applications should be tightly focused on the actual tourism benefits and economic impacts delivered by the project.

The Advisory Group also agreed that when applications were being prepared, exit strategies for the project and a justification for project sustainability beyond the life of the programme should be an integral part of the appraisal process. In particular, the Group believed that the support under Measure 2.1 for the pump priming of tourism events programmes should only be considered where the sponsor could demonstrate that the project would become self-sufficient within 2 – 3 years.

The Advisory Group was also concerned to ensure the long-term sustainability of projects supported in Measure 2.2. They agreed that they would look for clear evidence that where support was being requested to upgrade and refurbish visitor attractions and facilities, that the applicant organisation was making satisfactory provision for ongoing maintenance and future development work to avoid a dependency on structural funds support.

With regard to the operation of Measure 2.3 in 1998, the Advisory Group reiterated the view that ESF grant should only be given to those projects which could demonstrate that they were clearly tailored to the needs of the tourism industry.

1999

The Advisory Group met on 4 occasions during 1999. A total of 20 ERDF applications were appraised, of which five were extension requests to approved revenue projects in Measure 2.1. There were also 20 ESF applications appraised, of which 6 were new bids and 14 were requests to extend ESF activity into 2000.

When appraising the revenue extension applications submitted under Measure 2.1, the Advisory Group expressed their concern at the varying amounts and quality of monitoring and evaluation information presented in the supporting reports. The subsequent discussions with project sponsors combined with feedback from the Ex-ante appraisal for the 2000 – 2006 Programme led to the preparation of a consultancy brief aimed at more clearly assessing the economic impacts of tourism activity within the Programme Area.

When appraising projects under ESF measure 2.3, priority for extensions was given to those projects that clearly reflected the needs of the industry and were primarily aimed at people in employment or the short-term unemployed.

3.3.6 Programme report of the Locally Based Initiatives Advisory Group

1997

The Advisory Group met on 15 occasions during 1997. A total of 55 ERDF and 117 ESF project applications were appraised by them in 1997.

The submission of local action plans for the various LBI areas in 1997 greatly assisted the Advisory Group in the project appraisal process. These action plans were developed through a partnership of public, private, voluntary and community organisations in the local areas. All submitted ERDF & ESF applications were appraised against these local plans to ensure that they fitted with locally determined priorities. A report on the development of these local action plans is included on page 26 of this document.

In the appraisal of applications submitted under Measure 3.1 during the year, a key issue for the Advisory Group was how ERDF grant should be used to support new childcare provision in the LBI areas. The lack of adequate childcare provision was identified in all the local action plans as a constraint to enabling people with dependent children from fully participating in the labour market. In 1997, a number of project applications were received seeking both capital and revenue support for the development of new childcare provision. In view of the wide range of activities possible under this ERDF measure, the Advisory Group were concerned that if too many resources were targeted exclusively at the childcare issue in LBI areas at this early stage of the programme, then it would be at the expense of achieving other SPD measure targets. As a result, the Advisory Group recommended that grant support for the operating costs of new childcare services should only be available when it was directly part of the eligible costs of an ESF training project. However, in recognising the key importance of the childcare issue to LBI communities, the Advisory Group also agreed that the capital costs of additional childcare provision would be a high priority for support.

The SPD for the 1997 – 1999 period highlighted that where an action plan for a local area had been agreed, it 'may allow the approval of "mini-programmes" of investment, comprising groupings of projects, both ERDF and ESF, to achieve action plan targets'. In 1997, this "mini-programme" approach was developed in the Craigmillar LBI area. Although recognising that it was not suitable for all LBI areas, the Advisory Group was nevertheless supportive where appropriate of a similar approach being adopted elsewhere.

With regard to ESF Measure 3.2, the advisory group spent considerable time and effort in the appraisal of 117 applications. Unfortunately many applications, although in line with LBI action plans, could not be supported due to insufficient resources available in that year. As a result only the highest-ranking projects could be supported.

1998

The Advisory Group met on 5 occasions during 1998. A total of 31 ERDF and 24 ESF project applications were appraised by them in 1998.

When assessing certain project applications, particularly those aimed at capacity building in LBI areas, the Advisory Group recognised that many of the projects contained elements that could potentially be argued as eligible under both the LBI measures. In order to clarify this situation, the advisory group endeavoured to make a distinction between those projects whose focus was clearly on improving organisational and community effectiveness, and those schemes where the focus was clearly on the individual LBI resident. In the former case, the schemes were assessed against ERDF Measure 3.1 and in the latter case against ESF Measure 3.2.

1999

The Advisory Group met on 6 occasions during 1999. In total, they appraised 54 ERDF applications, of which 9 were extensions to approved revenue projects. There were also 26 ESF applications appraised, of which 8 were new bids and 18 were requests to extend ESF activity into 2000.

During the project appraisal process, the Advisory Group had as their overriding priority the economic benefits that a project would bring to the targeted LBI communities. These economic benefits could be delivered either in the short-term or produce economic benefit for LBI communities over a slightly longer timescale. When appraising Measure 3.1 projects, the Advisory Group only recommended for approval environmental enhancement projects where they were convinced that they clearly formed part of an agreed strategy for LBI areas, and directly involved the local communities in their inception and implementation.

3.3.7 Programme report of the Technology & Innovation Advisory Group

1997

The Advisory Group met on 10 occasions during 1997. A total of 36 ERDF and 32 ESF project applications were appraised by the Technology & Innovation Advisory Group in 1997.

In 1997, the Advisory Group was concerned at the lack of clear and specific evidence of demand contained within a number of applications submitted, especially in relation to HRD/training facilities. Accordingly, it was agreed that in future all project sponsors should submit independent market research showing clear evidence of demand, strategic context and SME focus. The approval of the *Technology and Innovation Policy Framework* in 1997 also proved to be an essential aid to the effective appraisal of all Technology & Innovation applications. A report on the development of the *Technology and Innovation Policy Framework* is detailed on page 23 of this document.

In addition, the Advisory Group placed great emphasis on the need for project applicants to include realistic estimates of economic outcomes based on the SPD targets.

1998

The Advisory Group met 6 times during 1998. In total, they appraised 38 ERDF and 34 ESF project applications in 1998.

A key issue for the Advisory Group during the year was the overall under-commitment within the Technology and Innovation Priority and they were very supportive of the consultancy exercise aimed at stimulating activity across all measures in the Priority. They believed that in addition to encouraging additional project submissions, the consultancy exercise would assist overall in pursuing the longer-term objectives identified within the *Technology and Innovation Policy Framework*.

During 1998 the SPD Monitoring Committee agreed that, in order to assist additional project submissions within the Technology & Innovation Priority, ERDF and ESF applications could be considered outwith the normal application cycle. The purpose of this was to enable time critical projects to be dealt with in a flexible and positive manner and to encourage overall project development. The Advisory Group welcomed this move and considered it would complement the ongoing consultancy work, supported through technical assistance, which was aimed at generating additional project proposals.

1999

The Advisory Group met on 7 occasions during the year. A total of 42 ERDF applications were appraised in 1999, of which 5 were extensions to approved Measure 4.1 projects. There were also 32 ESF applications appraised, of which 13 were new bids and 19 were requests to extend ESF activity into 2000.

In 1999, the general level and quality of applications being submitted encouraged the Advisory Group. In particular, they considered that the completion of an initial overarching strategy for the Midlothian Biotech Cluster (MBC), which they had requested in an earlier application round, was a significant step forward in the development of a coherent and integrated biotechnology cluster in this part of Eastern Scotland. The MBC strategy assisted the Advisory Group in determining which of the previously deferred projects from the Midlothian area were of the highest priority and should be grant aided.

The Advisory Group also noted that the submission of three applications which incorporated bids to the government's University Challenge Fund was indicative of the strength in depth and the positive approach to partnership within the higher education and research institutes in the Programme Area.

At the request of the Commission, the two University Challenge Fund projects, which were eventually recommended for approval by the Advisory Group, were subsequently transferred to Measure 1.1.

3.3.8 Programme report of the Labour Market and Economic Intelligence Strategy Group

The SPD for the 1997 - 1999 period identified the need for a co-ordinated approach to the research, production and dissemination of local labour market and economic intelligence, for use by the Eastern Scotland Partnership in the development, appraisal and monitoring of ERDF and ESF projects. A commitment was also given in the SPD document that a Baseline Report would be prepared within 6 months of the first SPD Monitoring Committee meeting. This report would provide baseline data for the output and impact indicators identified within the SPD in order to assist in the monitoring and evaluation of the Programme.

The Labour Market and Economic Intelligence Strategy Group (LMSG) was established to address the labour market requirements at a programme level. Membership of this group was drawn from the various partner constituencies. In total it met on seven occasions during 1997, nine times in 1998 and six times in 1999.

In 1997, the LMSG group developed and agreed a consultancy brief for an Eastern Scotland Labour Market and Economic Intelligence Project (LMEIP). The contract for this was awarded to the Tayside Economic Research Centre (TERC) at the University of Abertay. TERC had previously developed a sub-regional labour market intelligence project for the Tayside partners, which had been supported in 1996 by Technical Assistance as a pilot project. The SPD Monitoring Committee agreed to a 3-year contract with TERC. This contract, which was subject to annual review, involved 3 key areas of work:

- the identification of key baseline economic data in line with the SPD output and impact indicators, including a review of the agreed targets;
- the production of quarterly Labour Market Observatory Reports with detailed analysis of the labour market statistics; and,
- the preparation of four ad hoc studies/reports on specific subjects annually. It was anticipated that both the thematic advisory groups and the Labour Market Strategy Group would identify the need for these research studies.

The first quarterly Observatory report was submitted in July 1997 and agreed by the SPD Monitoring Committee at their meeting on 28 July 1997. The Baseline Report was submitted in October 1997. At this time both the LMSG and the SPD Monitoring Committee raised a number of concerns with regard to the data included in the report and its presentation, which they believed required substantial attention before it could be approved. Unfortunately, it was not possible to formally agree a revised Baseline Report in 1997. Following further problems that emerged in 1998, the contract with TERC for the LMEIP was terminated following a decision by the SPD Monitoring Committee at its meeting on 26 June 1998.

The LMSG considered a number of options for the new LMEIP in 1998 and felt that it was important to establish a baseline for the extent and quality of labour market information available within the Partnership before finalising the remit of the LMEIP. They were keen to develop an innovative and productive project that would deliver the quantity and quality of data and analysis required by all sectors within the partnership.

The SPD Monitoring Committee, at its meeting on 11 September 1998, agreed to the LMSG proposal to commission a short study to be undertaken at a wider East of Scotland level as opposed to purely a Programme Area level. The purpose of the study was to audit the available labour market information and recommend technical specification for the new LMEIP.

Following the completion of this study, the brief for the new LMEIP was agreed by the LMSG in 1999. After a competitive tender process, the LMEIP contract was eventually awarded on 19 May 1999 to Hall Aitken Associates. This contract was later amended to include the preparation of an East of Scotland socio-economic analysis for inclusion in the Objective 2 Plan for the 2000 - 2006 period.

3.4 The Issuing of Revised Grant Awards to Previously Approved Projects

At the instruction of the Implementing Authority, some revised approvals were issued to ERDF projects both during the Programme period and after 31 December 1999. The reasons for issuing revised approvals fell into three categories:

3.4.1 *An increase in the Overall Grant Award*

A number of revised approvals were issued during the Programme period to take account of increases in the total cost of previously approved projects. These increases were principally the result of the Monitoring Committee decision to offer existing ERDF revenue projects the opportunity to operate beyond 31 December 1999. **In all cases, the increases in the grant awarded to previously approved projects were agreed by the Programme Management Committee before 31 December 1999 and all approval letters issued by that date.**

3.4.2 *A decrease in the Overall Grant Award*

A number of the revised approvals were issued during the Programme period to take account of underspends on individual projects. In addition, some revised approvals were issued after 31 December 1999. These underspends were principally caused by tenders for work contracts being lower than originally budgeted for and **in no case did the formal reduction of eligible expenditure and ERDF grant awarded represent a change in the essential nature of these projects.** Rather it enabled the Implementing Authority to more effectively manage and plan the financial closure of the 1997 – 1999 Programme;

3.4.3 Confirmation of Project Expenditure

In 1996, the Implementing Authority and the Programme Executive initiated a formal procedure to encourage sponsors to more effectively plan, manage and implement agreed projects. **Even where there was no change in the overall total expenditure of a project or the level of ERDF grant award**, sponsors of previously approved projects were required to seek the agreement of the Management Committee to any increases (and corresponding decreases) in individual eligible expenditure headings where the variance was more than 20%. The purpose of this procedure was therefore to encourage sponsors to more accurately estimate the various project expenditure headings prior to approval. Where such expenditure changes were requested on previously approved projects, the sponsor was required to fully justify and explain any variance. As a result of this procedure being adopted, some revised approvals were issued to individual projects during the Programme period.

Where a revised approval, or approvals in some cases, has been issued to an ERDF project this has been clearly indicated in **Annex 9**. Readers should refer to Pages 11 - 12 of this annex in order to track the original date of approval and the original level of ERDF grant commitment.

3.5 Use of Technical Assistance during the Programme

3.5.1 Level of Technical Assistance Committed and Declared in the Programme

The total number and value of ERDF and ESF projects (including Technical Assistance) and the level of project expenditure committed and declared in the Programme are listed below:

Financial Information expressed in £

	No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
TA - ERDF	2	£2,002,564	£1,739,159	£1,001,282	£869,579	87%
TA - ESF	5	£316,526	£261,620	£151,029	£123,746	82%
Total	7	£2,319,090	£2,000,779	£1,152,311	£993,325	86%

Financial Information expressed in MEUROS

	No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
TA - ERDF	2	3.036	2.636	1.518	1.318	87%
TA - ESF	5	0.492	0.406	0.235	0.192	82%
Total	7	3.528	3.042	1.753	1.510	86%

3.5.2 ERDF Technical Assistance

The principal use of the ERDF Technical Assistance measure during the Programme was to support the running costs of the Programme Executive, which was responsible for the administration and management of the Objective 2 Programme in Eastern Scotland. Technical Assistance was matched by contributions from the partnership, via the charging of a voluntary management fee. The Executive was responsible for the management and administration of the 1997 – 1999 Programme and provided the administrative support for the three-tier committee structure outlined earlier. A sub-committee of the SPD Monitoring Committee, the Joint Management Board (JMB), was responsible for overseeing the activities of the Programme Executive in 1997 and agreed and monitored its annual budget. In October 1998, the Programme Executive became incorporated as a company limited by guarantee and a Board of Directors undertook the role and responsibilities previously discharged by the JMB.

ERDF Technical Assistance was also available to support the costs of studies and initiatives relevant to the management of the programme and to assist the partnership in meeting its obligations for monitoring and evaluation. Technical Assistance was used for this purpose in 1997 on three occasions. It was used to co-finance the *Tourism Strategic Focus* and the *Technology and Innovation Strategic Policy Framework*. Reports on both these key strategy documents are detailed below. Assistance was also given to support an economic appraisal of the Forth Estuary and the Firth of Forth undertaken by Scottish Natural Heritage. In 1998, it was used on two occasions. These included a proposal from Stirling Council and Scottish Enterprise Forth Valley seeking to evaluate and assess the constraints on SME business development in the Forth Valley area. A proposal to undertake development work with higher education/research institutes aimed at generating additional project proposals was also supported. In 1999, ERDF technical assistance was used twice. Firstly, a study aimed at improving the quality of impact/output data on tourism projects was undertaken. Secondly, with the agreement of the European Commission, ERDF technical assistance was used to support the development of the Objective 2 Plan for the 2000 – 2006 period.

3.5.3 Tourism Strategic Focus

At the end of the 1994 - 1996 Programme, the Tourism Advisory Group identified the need for a review of tourism activity across the Programme Area. It was proposed that the review could then be developed and used to refine and focus the strategic aims of the tourism measures. A commitment to this effect was included in the 1997 - 1999 SPD document.

Implicit in the development of a tourism strategy was the need to appraise and rank ERDF and ESF applications for funding, thereby ensuring the promotion of high quality projects that would directly contribute to the economy of the area. The Tourism Advisory Group drew up a consultancy brief and following a detailed tendering process where the interview panel assessed each proposal against the consultancy brief, the contract was awarded jointly to EKOS and the Tourism Resources Company.

The final report of the *Tourism Strategic Focus* was agreed by the SPD Monitoring Committee on 26 September 1997 and was used by the Tourism Advisory Group during the appraisal of all Priority 2 ERDF & ESF applications submitted in the 1997 – 1999 Programme.

3.5.4 Technology and Innovation Strategic Policy Framework

At the end of the 1994 - 1996 Programme, the Technology and Innovation Advisory Group identified the need to produce a strategic framework within which the disbursement of future Structural Funds could be more clearly focused and targeted. This was required to ensure maximum fit and complementarity with the activities of other agencies in the Programme Area. Although the document was designed to assist the Technology and Innovation Advisory Group to more effectively appraise projects, it was also considered useful for applicant organisations in the preparation of project submissions.

The Technology and Innovation Advisory Group drew up a consultancy brief and following a detailed tendering process, ANGLE Technology were commissioned to undertake a programme of research in order to assist with the definition of the strategy. The development of the Policy Framework took into account other agreed national, regional and local strategies relating to the subject of technology and innovation.

The final report of the *Technology and Innovation Strategic Policy Framework* was agreed by the SPD Monitoring Committee on 14 November 1997 and was used by the Technology and Innovation Advisory Group in the appraisal of all Priority 4 ERDF & ESF applications submitted in the 1997 – 1999 Programme.

Copies of both the *Tourism Strategic Focus* and the *Technology and Innovation Strategic Policy Framework* were sent to the Commission in 1997 following the publication of the final reports.

3.5.5 ESF Technical Assistance

During the Programme, ESF Technical Assistance was used for two purposes. These were to support initiatives aimed at improving the quality and availability of labour market information in the Programme Area. These are outlined in more detail on pages 20 - 22 in the 'Programme report of the Labour Market and Economic Intelligence Strategy Group'. The other purpose was to support activities aimed at ensuring that voluntary sector organisations could participate fully in the operation of the Eastern Scotland Programme. This was done through the auspices of the Scottish Council for Voluntary Organisations (SCVO) and was supported in all three years of the Programme. SCVO enhanced and complemented the service provided by the Programme Executive in the management and administration of the Eastern Scotland Programme.

With the help of Technical Assistance, a new post of European Development Officer was created by SCVO in 1997. The post holder was responsible for delivering an agreed work programme and worked closely with the Programme Executive in providing advice and guidance to voluntary sector sponsors in Eastern Scotland seeking to develop new project applications.

During the programme period, considerable effort was made to assist voluntary organisations to participate more fully in the Eastern Scotland Objective 2 Programme. For example, in 1997 SCVO held five consultation seminars that were attended by a number of voluntary organisations. As a direct result of these seminars, four new voluntary organisations brought forward projects under Priority 3 - Locally Based Initiatives.

In order to ensure voluntary organisations received regular, up-to-date information, SCVO also sent out briefings to various bodies covering a range of relevant topics throughout the programme period. The success of this element of the technical assistance application can be gauged by the fact that there was a 50% increase in the number on the SCVO mailing list of voluntary organisations in Eastern Scotland in 1997. As a result of this, approximately 150 voluntary organisations regularly received targeted information on the Objective 2 Programme from SCVO during that year. During the programme period, SCVO also organised additional events including training days, awareness raising events and Objective 2 funding seminars for voluntary organisations. In many cases, these were undertaken in conjunction with Programme Executive staff.

3.6 Project Monitoring Systems

Each applicant organisation was responsible for the monitoring of individual projects. They were supported by a detailed project monitoring system established by the Programme Executive which itself, was supported by Compliance Procedures agreed by the SPD Monitoring Committee (see below).

3.6.1 Compliance Procedures

The compliance procedures were agreed by the Monitoring Committee in April 1997 in order to improve the overall financial management of the Programme. They established time limits for applicants to resolve outstanding issues on projects with conditional approvals and required the submission of a valid claim every three months for approved ERDF projects. During the programme period, the Programme Management Committee received regular updates on projects failing to meet the compliance procedures.

3.6.2 ERDF Grant Claims Procedure

Following a review of the ERDF grant claims system, the Programme Executive became the first point of contact for all partners submitting ERDF claim forms in Eastern Scotland. This change became operational from 1 April 1997 and was in recognition of the importance of ERDF grant claims as a means of monitoring the financial and physical implementation of the Objective 2 Programme for the 1997 – 1999 Programme period.

All completed ERDF claim forms were sent in the first instance to the Programme Executive who were responsible for undertaking the initial assessment of the claim against the approved project application. As well as checking that the implementation of a project was progressing according to schedule, the Programme Executive staff could more effectively access the financial and physical monitoring information included on the claim form. Valid claim forms were then forwarded to the Scottish Executive for final certification of the claim and payment.

An additional member of staff was appointed by the Programme Executive in 1997 to ensure that the initial processing of submitted ERDF claims was done as quickly as possible.

In order to make partners aware of the new claims system, all partner organisations were informed in writing of the new procedures well in advance of the April 1 1997 changeover date. As the ERDF grant claim form also had to be revised to coincide with the change in procedure, copies of the new claim form and guidance notes were also issued to partners. In addition, the Programme Executive held two ERDF grant claims seminars for partner organisations in order to outline the new procedure. Both seminars were run by ESEP staff in conjunction with payment staff from the Scottish Executive and were held in Dunfermline on 11th March 1997. In total, 95 members of the Partnership attended the seminars.

A further 4 ERDF claim seminars took place in November 1997. These seminars provided an opportunity for both the Programme Executive and partner organisations to review how the new claims system was operating, and to highlight any difficulties being experienced. In order to reach the maximum partner audience, it was decided to hold seminars in four locations in the Programme Area. In all, these November seminars in Dundee, Glenrothes, Livingston and Stirling attracted a total attendance from partner organisations of 106 people.

3.7 Other Actions Undertaken to Improve Programme Quality

In addition to the various studies described earlier which were co-financed through technical assistance, a number of other positive actions were undertaken during the programming period in order to improve the quality of projects and the decision-making process.

3.7.1 Application Seminars

Following concerns raised by the Management Committee and the advisory groups about the quality and range of applications being submitted by partner organisations, the Programme Executive undertook six development seminars in 1998. These were held on 5 - 6 February and 14 – 17 July 1998 and were aimed at assisting sponsors with the preparation of future applications. At these seminars, the Programme Executive sought to highlight any common problems being experienced in completing the application form and also took the opportunity to inform partners about any changes in the annual priorities of the programme agreed by the SPD Monitoring Committee.

In total, 161 people attended the six partnership seminars that were held in all parts of the programme area. Feedback from those who attended the seminars was favourable, with a high number expressing the view that they had been extremely useful and informative and addressed issues which caused concern.

3.7.2 Locally Based Initiative (LBI) Area Strategies

The SPD for the 1997 – 1999 period stated that ‘the LBI area, or grouping of LBI areas, must have a strategy or “action plan” with clear objectives, targets and time-scales for tackling the area’s problems. This action plan should be the product of a wider partnership of public, private and voluntary organisations and must actively involve the communities concerned’.

Due to their key roles in the economic regeneration process in LBI areas, the appropriate local authority and/or local enterprise company were invited to take the lead in the establishment of these local partnerships and the development of the respective “action plans”.

In the preparation of these area strategies, the local partners were advised to include:

- a brief overview of all the key issues affecting the LBI area and the wider regeneration effort being proposed;
- a clear demonstration of how ERDF/ESF grant assistance would integrate with other funding programmes/funding partners;
- a clear demonstration of organisational partnership and in particular community involvement in the development of the strategy and arrangements for its implementation; and,
- a list of proposed projects that would be submitted over the lifetime of the Objective 2 Programme 1997 - 1999.

No projects were approved in the LBI Priority unless they conformed to a local strategy and the documents produced greatly assisted the LBI Advisory Group in the project selection process. Many useful lessons were learnt and the approach of using local area strategies in order to determine local priorities has been expanded in the 2000 – 2006 programming period.

3.8 Compliance with Community Policies

The importance of compatibility between the measures financed by the Structural Funds (or receiving assistance from the EIB), sectoral, regional, national and other Community Policies is laid down in Article 7 of Regulation No 2052/88 (amended by Regulation No 2081/93). The requirement reinforces the need for adherence in four key areas:

- rules on competition;
- the award of public contracts;
- environmental protection; and,
- the application of the principle of equal opportunities for men and women.

All partners in the Eastern Scotland Programme were made aware of this requirement through awareness-raising seminars undertaken by Scottish Executive and Programme Executive staff and in all pre-application development support. Partners were also advised that this requirement was applicable and relevant to all project actions supported in all Programme measures. Furthermore, questions relating to how individual project actions would ensure compliance with all four of these key Community Policies were an integral part of the approved project application form. **As such, all sponsors were required to address these issues satisfactorily in a properly certified project application form prior to any grant award.** Although the Member State remains responsible for ensuring that the provisions of Article 7 were fulfilled, it was the responsibility of the individual project sponsor to ensure that projects were implemented in line with the agreed application form.

3.8.1 Award of Public Contracts

There were seven ERDF projects supported in the Programme that advertised in the Official Journal of the European Communities. These were:

- *ES/TD/97/024 – The Millennium Link.* The OJ reference number was 96440.96;
- *ES/LI/97/015 – Community Network (Priority Areas).* The OJ reference number was 965198 -118323;
- *ES/TI/97/017 – Livingston New Technology Institute.* The OJ reference number was 95/S 194 -105718/EN;
- *ES/TD/98/027 – The Tolbooth Arts and Cultural Centre.* The OJ reference number was JO S 060;
- *ES/TD/99/011 – Forthside Visitor Management Programme.* The OJ reference number was 80-48995/EN;
- *ES/TI/99/025 – Scottish Electronic Product Design Centre.* The OJ reference number was 99/S 185-130542/EN; and,
- *ES/TI/99/038 – Roslin Biotechnology Centre Phase 2.* The OJ reference number was 99/S 126-92400/EN.

3.8.2 Environmental Impact Assessments

None of the projects considered by the advisory groups during the Programme period were of a type or scale requiring a formal Environmental Assessment under the terms of EC Directive 85/337 on the assessment of the effects of certain public and private projects on the environment. However, work was undertaken to appraise the environmental impact of ES/TD/97/024 - The Millennium Link by British Waterways Board's (BWB) own in-house specialist department. A report was also compiled by BWB that examined the potential environmental impact of The Millennium Link and highlighted the monitoring and management required to ensure the maximum environmental benefit.

A full appraisal of the environmental situation in the Programme Area was also undertaken in 1996 and was included in the approved SPD Document for the 1997 – 1999 period.

3.8.3 Large Infrastructure Investment Application

Under Council Regulation (EEC) No 4254/88 amended by Council Regulation (EEC) No 2083/93, there is a requirement for the Member State to complete a special application form for infrastructure investment projects costing more than 25 MEURO which are seeking assistance from the Structural Funds. Such an application for assistance was made to the European Commission for ES/TD/97/024 - The Millennium Link. As part of the assessment requirements for this project, a socio-economic Cost Benefit Analysis also had to be undertaken. This analysis was completed in January 1998.

The Commission formally agreed the request to award ERDF assistance totalling £3,840,000 to the project on 6 April 1998. A large infrastructure investment application was also made to the European Commission on behalf of ES/TI/97/017 – Livingston New Technology Institute. This application was submitted on 24 August 1998 and the Commission formally agreed the request to award ERDF assistance totalling £1,886,800 to the project on 14 April 1999.

3.9 Information and Publicity

Partner organisations were made fully aware of their obligations during the Programme to give proper acknowledgement of the financial assistance provided by the European Community Structural Funds. The requirement to accord adequate publicity was a condition of grant and a commitment to undertake various publicity actions was agreed to by sponsors in all project applications. Moreover, in an effort to assist the Partnership to comply with the various requirements on information and publicity and seeking to achieve a cost effective and consistent approach, temporary site signs were also produced by the Programme Executive as a minimum standard and made available to project sponsors following approval. In 1998, the Programme Executive also published a booklet outlining the specific publicity guidelines, which was issued to project sponsors at the time of formal approval. In addition to the various information seminars undertaken by the Programme Executive, which were outlined earlier in this report, the Partnership were also kept informed of policy and operational developments via regular mailings throughout the Programme period. In 1999, the Programme Executive also established its own website – <http://www.esep.co.uk> – where regular information on the Objective 2 Programme was posted.

3.10 Indexation of the SPD Financial Tables

In 1999, the SPD Monitoring Committee agreed the allocation of additional financial resources totalling 3.799 MEURO generated by the indexation of the SPD for the years 1998 and 1999. The financing decision for the Programme set out the allocated Community Funds in EUROS in the prices in the year of that decision. For the Eastern Scotland SPD, the decision was achieved in April 1997 and consequently all figures in the SPD financial tables were expressed in EUROS at 1997 prices. As the Structural Funds allocated to Eastern Scotland covered a number of years, and in order to maintain the purchasing power of funds allocated beyond the first year i.e. 1997, the allocations were indexed to allow for Community inflation. The rate used was an estimate of Community wide inflation, and not the rate of inflation in the Member State itself.

No decision on the allocation of indexation resources for 1998 had been taken in 1998. As a consequence, the maximum amount of Structural Fund assistance awarded to the programme was increased from 135.110 MEURO to 138.909 MEURO. **Table 1** below highlights the indexation amounts for the years 1998 and 1999.

Table 1 (MEUROS)

	ALLOCATION DECISION	DEFLATOR AMOUNT	STERLING EQUIVALENT	ALLOCATION INDEXED
1997	43.235	-		43.235
1998	45.019	1.274	0.846	46.293
1999	46.856	2.525	1.676	49.381
TOTAL	135.110	3.799	2.522	138.909

The amount of additional financial resources generated by the indexation of the SPD for the years 1998 and 1999 was 3.799 MEURO. Applying the April 1999 EURO/Sterling exchange rate of 0.6638, this produced a Sterling equivalent value of approximately £2.522 million.

Based on an assessment of demand, actual and forecast economic impacts, and to ensure that quality thresholds were maintained, the SPD Monitoring Committee agreed to allocate the additional indexation amounts arising from indexation to four programme measures only. The exact amounts approved to each measure and the revised SPD allocations arising as a consequence are detailed below in **Table 2**.

Table 2 (EUROS)

MEASURE	ORIGINAL SPD ALLOCATION	ALLOCATION OF INDEXATION RESOURCES	SPD ALLOCATION AFTER INDEXATION
1.1 ERDF	6,161,000		6,161,000
1.2 ERDF	13,067,000		13,067,000
1.3 ESF	15,730,000		15,730,000
1.4 ERDF	22,280,000	1,463,000	23,743,000
2.1 ERDF	5,404,000		5,404,000
2.2 ERDF	13,901,000	387,000	14,288,000
2.3 ESF	4,324,000		4,324,000
3.1 ERDF	16,249,000		16,249,000
3.2 ESF	5,450,000		5,450,000
4.1 ERDF	14,186,000		14,186,000
4.2 ERDF	18,171,000	1,534,000	19,705,000
4.3 ESF	3,254,000		3,254,000
TA ERDF	1,291,000	415,000	1,706,000
TA ESF	450,000		450,000
TOTAL	139,918,000	3,799,000	143,717,000

The SPD Monitoring Committee at its meeting on 12 April 1999 agreed the above proposal on the allocation of indexation resources. The Commission formally agreed this increase in the value of the SPD financial tables on 24 August 1999.

3.11 Modifications to the SPD Financial Tables

During the Programme period it was necessary to modify the SPD financial tables on three separate occasions. The first modification followed the declaration of the 1997 ESF final claims and took account of a slight increase in private sector co-finance in Measures 1.3 and 3.2. The Commission formally agreed this modification on 12 November 1998. The other two modifications were required in order to take account of virement between Programme Measures. Details of these are outlined below.

3.11.1 First Virement of Resources between Programme Measures

In order to achieve the maximum economic impact for the Programme Area, particularly with regard to job creation, the SPD Monitoring Committee agreed a total virement of 7,429,000 MEURO between ERDF Measures and 4,294,000 MEURO between ESF Measures. As a result of this virement being agreed, the SPD allocations for each measure were as detailed below in **Table 3**. The SPD Monitoring Committee at its meeting on 12 April 1999 agreed this proposal on virement between Programme Measures. The Commission formally agreed this modification to the SPD financial tables on 24 August 1999.

Table 3 (EUROS)

MEASURE	SPD ALLOCATION AFTER INDEXATION	1 st MEASURE VIREMENT	SPD ALLOCATION AFTER 1 st VIREMENT
1.1 ERDF	6,161,000	+2,731,000	8,892,000
1.2 ERDF	13,067,000	+3,593,000	16,660,000
1.3 ESF	15,730,000	-2,561,000	13,169,000
1.4 ERDF	23,743,000		23,743,000
2.1 ERDF	5,404,000	-881,000	4,523,000
2.2 ERDF	14,288,000	+881,000	15,169,000
2.3 ESF	4,324,000	-1,575,000	2,749,000
3.1 ERDF	16,249,000	-4,506,000	11,743,000
3.2 ESF	5,450,000	+1,979,000	7,429,000
4.1 ERDF	14,186,000	-7,429,000	6,757,000
4.2 ERDF	19,705,000	+5,611,000	25,316,000
4.3 ESF	3,254,000	+2,315,000	5,569,000
TA ERDF	1,706,000		1,706,000
TA ESF	450,000	-158,000	292,000
TOTAL	143,717,000		143,717,000

3.11.2 Second Virement of Resources between Programme Measures

The second virement proposal took full account of unexpected underbids that had occurred in a number of Programme Measures subsequent to the SPD meeting held on 12 April 1999. In addition, negative developments that had occurred in the economy of the Programme Area during 1999 with regard to significant job losses and the subsequent efforts made to assist the affected communities were also reflected in the revised virement proposal. As a consequence, the SPD Monitoring Committee agreed a total virement of 8,620,000 MEURO between ERDF Measures and 1,157,000 MEURO between ESF Measures. As a result of this second virement proposal being agreed, the final SPD allocations for each measure were as detailed overleaf in **Table 4**.

The SPD Monitoring Committee at its meeting on 22 October 1999 agreed this proposal on virement between Programme Measures. The Commission formally agreed this modification to the SPD financial tables on 7 April 2000. A copy of the final version of the SPD financial tables for the 1997 – 1999 Programme is attached for information as **Annex 1 (iv)**.

Table 4 (EUROS)

MEASURE	SPD ALLOCATION AFTER INDEXATION AND 1st VIREMENT	2nd MEASURE VIREMENT	FINAL SPD ALLOCATION
1.1 ERDF	8,892,000	-2,695,000	6,197,000
1.2 ERDF	16,660,000	-2,389,000	14,271,000
1.3 ESF	13,169,000	+1,157,000	14,326,000
1.4 ERDF	23,743,000	+4,313,000	28,056,000
2.1 ERDF	4,523,000	-330,000	4,193,000
2.2 ERDF	15,169,000	+1,872,000	17,041,000
2.3 ESF	2,749,000	-99,000	2,650,000
3.1 ERDF	11,743,000	+1,619,000	13,362,000
3.2 ESF	7,429,000	-427,000	7,002,000
4.1 ERDF	6,757,000	+816,000	7,573,000
4.2 ERDF	25,316,000	-2,986,000	22,330,000
4.3 ESF	5,569,000	-631,000	4,938,000
TA ERDF	1,706,000	-220,000	1,486,000
TA ESF	292,000		292,000
TOTAL	143,717,000		143,717,000

CHAPTER 4: PROGRAMME IMPLEMENTATION

4.1 Financial Implementation of Single Programming Document

The attached **Annexes 5 - 7** provide a comprehensive suite of tables covering all aspects of the financial implementation of the Programme. All financial data in these tables is presented on both an annual and cumulative basis and in both sterling and MEUROS. **Annex 5** focuses on all expenditure committed in the Programme. **Annex 6** focuses on all expenditure declared in the Programme and all Structural Funds grant payments made. **Annex 7** provides a comparative analysis of total expenditure committed and declared in the Programme and all Structural Funds committed and paid.

4.1.1 Level of Project Expenditure Committed and Declared in the Programme

The total number and value of ERDF and ESF projects (including Technical Assistance) and the level of project expenditure committed and declared in the Programme are listed below:

Financial Information expressed in £

	No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
ERDF	274	£230,573,016	£208,467,972	£67,514,499	£59,321,760	88%
ESF	448	£53,292,652	£40,955,344	£21,958,035	£17,374,227	79%
Total	722	£283,865,668	£249,423,316	£89,472,534	£76,695,987	86%

Financial Information expressed in MEUROS

	No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
ERDF	274	349.553	316.040	102.354	89.934	88%
ESF	448	82.766	63.606	34.102	26.983	79%
Total	722	432.319	379.646	136.456	116.917	86%

ERDF

In summary, certified expenditure totalling **£208,467,972** was declared on ERDF projects at final closure. Of this expenditure, ERDF grant made up **£59,321,760** at an average ERDF grant intervention rate for the programme of **28.46%**. The average ERDF grant per project in the Programme was **£216,503**. The level of expenditure declared on ERDF projects at final closure represented **110%** of the total ERDF expenditure figure detailed in the final revised financing plan for the Programme. The level of ERDF payments equated to **79%** of the available SPD ERDF grant allocation. There was also good financial implementation at the project level with **88%** of the ERDF grant committed in the Programme actually being paid. A complete list of the ERDF projects in the Programme is attached for information as **Annex 9**. This annex details the total level of ERDF grant committed and paid to each project.

ESF

In summary, certified expenditure totalling **£40,955,344** was declared on ESF projects at final closure. Of this expenditure, ESF grant made up **£17,374,227** at an average ESF grant intervention rate for the programme of **42%**. The average ESF grant per project in the Programme was **£38,782**. The level of expenditure declared on ESF projects at final closure represented **98%** of the total ESF expenditure figure detailed in the final revised financing plan for the Programme. The level of ESF payments equated to **92%** of the available SPD ESF grant allocation. The financial implementation at the project level was not as good for ESF as it was for ERDF with only **79%** of the ESF grant committed in the Programme actually being paid. A complete list of the ESF projects in the Programme is attached for information as **Annex 10**. This annex details the total level of ESF grant committed and paid to each project.

4.2 Analysis of Programme Measures

4.2.1 Explanatory Note for Physical Monitoring Tables

A summary table has been included in the reports for each Programme measure in order to enable some assessment to be made about Programme performance at final closure. These tables seek to compare the final revised SPD targets in each measure against actual activity. Where possible, the data used has been gathered from ERDF and ESF final claim forms and reflects reported activity by the various project sponsors. However, where sponsors have failed to provide sufficient information on all physical output and intermediate result indicators on a project final claim form, it has proved necessary to supplement the reported data with extrapolations based on final expenditure declaration figures. The consultants who completed the review of baseline data as part of the Interim Evaluation process prepared guidance that explained the methodology underpinning the originally agreed SPD targets. This guidance outlined the key assumptions used in the derivation of these target figures and enabled realistic activity, output and impact targets to be reproduced on a project by project basis. In addition, to ensure a consistent approach with regard to assessing the net economic benefits of the Programme, the data included for all economic impact indicators in the different measures has been solely based on extrapolations based on final expenditure declaration figures. A detailed summary of the interim evaluation report is also included on pages 66 - 70. A detailed breakdown of this performance data over the various years of the Programme is also included as **Annex 8**.

Please Note:

The SPD indicators and targets listed in the reports for the Programme measures **and used for comparative purposes** are those that were agreed by the Commission in the final revision of the Programme on 07 April 2000. They were prepared in mid-1999 and were predominantly based on the forecast targets outlined in the various project application forms. At that time, the Programme Executive had not fully completed the exercise of ensuring that all sponsors review their individual project targets in line with the assumptions about SPD indicators in the Interim Evaluation. This task was outlined as Recommendation 1 by the consultant who undertook the Interim Evaluation and is referred to on Page 67.

As a result, it is clear when reviewing the performance tables for some measures that unrealistic targets were used when the SPD indicators were revised in late 1999 (formally agreed by the Commission in April 2000). Even accounting for grant under-spends in the various measures, it is clear that actual performance was much closer to the original SPD targets rather than the final revised targets. This situation was particularly pronounced in Measures 1.4 and 4.2. Although it appears that actual performance has been very poor in these two large capital measures, it can be explained by the fact that sponsors of phased site development often included the full forecast benefits of a developed site at application stage, rather than purely restricting the figures to the particular phase being supported. Although this was done in good faith in order to give a clear perspective about the strategic nature of these sites during project appraisal, the target figures were nevertheless used to revise the SPD indicators. This important point should be remembered when reviewing the various measure reports.

Learning from this situation and seeking to avoid a repetition occurring in the East of Scotland Objective 2 Programme 2000 – 2006, the Programme Executive has developed guidance for project sponsors of capital projects. This highlights the importance of ensuring that forecast targets recorded in application forms are both realistic and directly attributed to the investment being undertaken with ERDF support.

4.2.2 Priority 1 Development of a dynamic, indigenous SME base
Measure 1 Support for business start-up and access to capital (ERDF)

Agreed SPD Objectives of Measure 1.1

- to encourage new business start-ups and to increase the area's employment base through an integrated and long-term approach to SME development;
- to target support for start-ups in sectors with job creating potential which is geared to their needs; and,
- to promote partnership programmes and collaboration between development agencies to avoid duplication and to broaden the range of support that can be provided.

Final Finance Summary in Measure 1.1

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
8	£11,188,227	£8,935,538	£3,954,114	£3,163,623	80%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
8	16.961	13.546	5.995	4.796	80%

Analysis of Measure 1.1 Indicators

Physical Outputs

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of new SMEs assisted	1,011	4,279	2,145	77%	50%
Number of existing and new SMEs receiving financial support	200	337	68	77%	20%

Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Gross new sales in SMEs	£50.4m	£71.32m	£20.16m	77%	28%
Gross safeguarded sales in SMEs	£3.8m	£6.38	£5.14m	77%	81%
Number of gross direct new jobs	898	1,240	4,543	77%	366%
Number of gross direct jobs safeguarded	215	364	1,552	77%	426%
New businesses started up – of which 65% surviving for one year and 45% surviving three years <i>and</i> of which 10% to be started by unemployed people	350	1,203	1,584	77%	132%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional jobs	672	920	727	77%	79%
Number of net additional jobs safeguarded	200	338	270	77%	80%

Final progress achieved in implementing Measure 1.1

The lack of availability of risk capital finance for early stage SMEs in the Eastern Scotland Programme Area dominated the smooth operation of this measure. This issue was originally identified through a study jointly commissioned by the Eastern and Western Scotland European Partnerships. The study was undertaken by the joint consultancies of Fim Crichton Roberts and Grant Thornton. Their report, which concluded in 1996, defined a market gap for loan and equity finance in the range of £10,000 - £250,000. Accordingly, specific provision was made within the Eastern Scotland Objective 2 Programme 1997 - 1999 for a Programme-wide loan and equity fund to address this funding gap.

Following the publication of the study in October 1996, a steering group was established in Eastern Scotland involving interested parties from the public and private sector. An outline proposal to develop a new Business Development Fund covering the whole Programme Area was agreed by the Steering Group and sent to the wider Partnership in February 1997 in order to stimulate activity and interest. A specific proposal was subsequently received from Scottish Enterprise Edinburgh and Lothians for ES/DD/98/021 - Eastern Scotland Investments (ESI) and following detailed appraisal this project was recommended for approval. However, due to the need to seek Commission approval for new loan & equity funds and to comply with national regulatory requirements this project was not formally approved until February 1999. In financial terms, this one project accounted for 63% of the total expenditure forecast in the measure and the delay in approving it meant that the forecast and actual progress figures for Measure 1.1 appeared very low in 1997 and 1998.

The ESI Fund was finally launched in July 1999 as a partnership of public-private sector finance providers in order to provide risk capital investment in the £30,000 - £250,000 range for start-ups and SMEs whose development was assessed as having high growth potential. The Fund was managed by the private sector (a key condition for Commission approval) and sought to complement and strengthen the existing business development networks in Eastern Scotland. In total, it received 345 applications from start-ups and SMEs during its period of operation and made a total of 32 different investments helping to create 166 new jobs and safeguarding a further 348. Unfortunately, the Fund failed to invest all its £7 million resources by 31 December 2001 which had been a condition of Commission approval and some ERDF grant was subsequently paid back to the Scottish Executive. Three principal reasons were identified for this failure to fully invest all resources. These were:

- **the inflexible structure of the fund i.e. 25% equity and 75% debt.** In many cases this structure was unsuitable for potential investee companies where revenue was not predicted for several years. This was especially critical for early stage technology companies, where the absence of revenue streams made it almost impossible to service loan repayments;
- **the lengthy decision-making process.** It was necessary in many cases for ESI to become involved in larger syndicated deals where the respective partners often had different requirements to be met; and,
- **the lack of good quality proposals coming forward and the absence of a parallel business support mechanism to assist applicants to become 'investor ready'.**

In line with a condition of grant, a full report and evaluation on the performance of ESI and ES/DD/99/031 - Edinburgh Technology Fund (ETF), the other risk capital fund to be awarded ERDF in the 1997 - 1999 Programme, were presented to the Monitoring Committee on 10 September 2001. The lessons learnt by these two funds, particularly with regard to improving the quality of risk capital proposals and helping SMEs to become 'investor ready' have helped to inform how the risk capital issue is addressed in the East of Scotland Objective 2 Programme 2000 – 2006.

4.2.3 Priority 1 Development of a dynamic, indigenous SME base
Measure 2 Support for SME growth and development (ERDF)

Agreed SPD Objectives of Measure 1.2

- to strengthen and improve the business performance and competitiveness of micro, small and medium sized businesses;
- to provide a responsive and effective business support network targeted at sustainable SME growth and development;
- to promote partnership programmes and collaboration between development agencies to avoid duplication and to broaden the range of support that can be provided;
- to create jobs through an integrated and long term approach to SME development; and,
- to target SMEs in sectors with job creation potential which is geared to their needs.

Final Finance Summary in Measure 1.2

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
49	£17,957,169	£15,564,664	£8,902,556	£7,724,625	87%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
49	27.223	23.597	13.496	11.711	87%

Analysis of Measure 1.2 Indicators

Physical Outputs

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of existing SMEs assisted	3,311	15,405	12,385	82%	80%
Number of SMEs assisted with environmental audits	200	48	418	82%	871%

Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Gross new sales in SMEs	£94.2m	£100.19m	£85.24m	82%	85%
Gross safeguarded sales in SMEs	£40.2m	£42.76m	£38.50m	82%	90%
Number of gross direct new jobs	1,320	1,244	3,831	82%	308%
Number of gross direct jobs safeguarded	567	532	9,658	82%	1,815%
Number of assisted SMEs implementing results of environmental audits	100	25	106	82%	424%
Number of assisted SMEs implementing process or product improvements	660	46	1,362	82%	2,961%
Number of assisted SMEs entering new export markets	330	94	761	82%	810%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional new jobs	958	678	589	82%	87%
Number of net additional jobs safeguarded	413	270	251	82%	93%

Final progress achieved in implementing Measure 1.2

Overall excellent progress was made in achieving the revised targets for nearly all the SPD indicators in this measure. In many cases, the level of activity achieved far exceeded the target figure. However, this factor was undoubtedly accentuated by the decision to revise many of the original SPD targets downwards and the performance of this measure needs to be put into perspective.

An example of a project supported in Measure 1.2 during the Programme was ES/DD/97/010 – West Lothian Business Growth Programme 1997 – 1999. This project from West Lothian Council was a grant scheme devised to promote business and employment growth amongst independently owned businesses in the West Lothian area that had been operational for at least one year. The project principally focused on SMEs that employed up to 50 people who were seeking finance to develop new products, introduce market development initiatives or purchase new production equipment.

4.2.4 Priority 1 Development of a dynamic, indigenous SME base
Measure 3 Assisting human resource development for SMEs and employment growth areas (ESF)

Agreed SPD Objectives of Measure 1.3

- to encourage new business start-ups and to increase the area's employment base by improving the awareness of the advantages of starting a business and motivating potential entrepreneurs;
- to provide quality training in business start-up skills and to support the continued development of newly established businesses through meaningful aftercare and business skills training;
- to assist the creation/protection of jobs by assisting new ventures to grow and survive;
- to consolidate/increase the area's employment base by ensuring that unemployed persons have the skills required by companies within the Programme Area;
- to stimulate the diversification of the Programme area economy and to assist with the creation of sustainable jobs;
- to improve the skills base of the Programme Area thus affording the opportunity for SMEs to develop and remain competitive; and,
- to provide quality retraining in key business skills to employees who have recently lost their jobs in order to increase the opportunity of an early return to work to strengthen and improve the business performance and competitiveness of micro, small and medium sized businesses;

Final Finance Summary in Measure 1.3

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
241	£26,979,359	£20,868,472	£11,075,093	£8,798,568	79%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
241	41.900	32.410	17.200	13.665	79%

Analysis of Measure 1.3 Indicators**Physical Outputs**

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of employed people trained	7,574	13,441	10,301	95%	77%
Number of jobless (unemployed/returners) trained	4,078	8,133	6,857	95%	84%

Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of gross direct new jobs	1,064	1,011	1,702	95%	168%
Number of gross direct jobs safeguarded	197	200	261	95%	130%
Number of people gaining a vocational qualification at SVQ Level 2 or equivalent and above	8,448	8,362	12,010	95%	144%
Number of employed beneficiaries remaining in employment 12 months after completion of training	6,817	12,867	9,271	95%	72%
Number of unemployed beneficiaries securing employment on completion of training	2,855	4,481	3,428	95%	77%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional new jobs	661	639	985	95%	154%
Number of net additional jobs safeguarded	182	181	238	95%	131%

Final progress achieved in implementing Measure 1.3

On the basis of the data included in the above tables, it is clear that many of the revised SPD targets were either achieved or more than 70% achieved. In light of the under-spend declared in the level of grant allocation paid, this represents a good performance in this important ESF measure.

An example of a project supported in Measure 1.3 during the period was 970390UK2 – Fast Track for Employment. This project from Falkirk College aimed to enable trainees to gain an HNC qualification within 20 weeks. The project was developed from a successful pilot project that had been carried out in conjunction with Scottish Enterprise Forth Valley and sought to meet the needs of local SMEs by providing training in areas of skill shortages or growth.

The use of a work placement on the course also enhanced the employability of trainees and enabled them to provide possible employers with real evidence of their capabilities within a workplace environment.

4.2.5 Priority 1 Development of a dynamic, indigenous SME base
Measure 4 Investment in productive facilities (ERDF)

Agreed SPD Objectives of Measure 1.4

- to improve the range and quality of economic development sites and premises to meet the needs of SMEs and in response to market failure; and,
- to promote the use of brownfield sites and the re-use of poor quality and redundant stock.

Final Finance Summary in Measure 1.4

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
49	£48,838,274	£41,040,192	£16,175,944	£13,553,860	84%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
49	74.040	62.217	24.523	20.548	84%

Analysis of Measure 1.4 Indicators

Physical Outputs

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Area of new business premises provided	17,460m ²	207,620m ²	34,395m ²	73%	17%
Area of refurbished business premises provided	11,640m ²	64,729m ²	49,002m ²	73%	76%
Area of greenfield land prepared for development	36ha	185.8ha	101.62ha	73%	55%
Area of brownfield land reclaimed/prepared for development	54ha	172.1ha	69.60ha	73%	40%
Number of sites provided with direct road access	6	10	10	73%	100%

Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of gross direct new jobs	3,570	6,448	1,563	73%	24%
Number of gross direct jobs safeguarded	1,530	2,763	752	73%	27%
Number of EMAS registered sites	10	0	0	73%	0%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional new jobs	1,071	1,952	345	73%	18%
Number of net additional jobs safeguarded	459	838	149	73%	12%

Final progress achieved in implementing Measure 1.4

In Structural Fund terms Measure 1.4 was the biggest measure in the Programme and on the basis of the above monitoring information has failed to achieve most of the revised SPD targets for the various indicators in the measure. However, the apparent poor performance of this measure was undoubtedly accentuated by the decision to increase the SPD target figures and the unrealistic target figures included in some project applications. Despite this, a lot of good activity was funded during the Programme period and the operation of this measure was characterised by the close involvement of the private sector, where private resources made up nearly 37% of the final expenditure figure.

An example of a project supported in Measure 1.4 during the period was ES/DD/97/073 - Dundee Medipark Development. This project from Scottish Enterprise Tayside has helped to develop a Medipark site at Ninewells Hospital in Dundee. This 18-hectare site has been serviced and promoted for the development of SMEs in the fields of medical device manufacture, pharmaceuticals and diagnostics. As a consequence of this support, accommodation has been provided for up to 20 businesses, which has resulted in the generation of 101 jobs.

4.2.6 Priority 2 Tourism
Measure 1 Support for SME's in the tourism and cultural industries (ERDF)

Agreed SPD Objectives of Measure 2.1

- to improve the competitiveness of SME's in the tourism and cultural sector;
- to improve the quality of tourism products and services; and,
- to encourage tourism businesses to operate in an environmentally sustainable manner.

Final Finance Summary in Measure 2.1

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
23	£6,347,423	£5,500,932	£2,782,243	£2,400,638	86%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
23	9.623	8.340	4.218	3.640	86%

Analysis of Measure 2.1 Indicators

Physical Outputs

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of existing SMEs assisted	72	90	167	87%	186%
Number of new SMEs assisted	24	0	0	87%	0%
Number of existing/new SMEs receiving financial support	48	89	126	87%	142%
Number of marketing/group initiatives supported	20	23	12	87%	52%

Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Gross new sales in SMEs	£18.5m	£17.18m	£14.04m	87%	82%
Gross safeguarded sales in SMEs	£45.0m	£39.32m	£33.08m	87%	84%
Number of gross direct new jobs	530	515	421	87%	82%
Number of gross direct jobs safeguarded	1,285	1,118	943	87%	84%
Number of new businesses started-up – of which 65% surviving one year and 45% surviving three years	12	0	0	87%	0%
Gross additional day visitors from outside the Programme Area	100,000	Unable to determine figure	0	87%	0%
Gross additional overnight visitors from outside the Programme Area	52,000	187,510	2,494,411	87%	1,330%
Gross increase in visitor spend	£14.4m	£36.09m	£13.77m	87%	38%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional new jobs	148	189	136	87%	72%
Number of net additional jobs safeguarded	307	280	234	87%	84%

Final progress achieved in implementing Measure 2.1

Whilst the requirement to complete the Tourism Strategic Focus in 1997 ensured the development of well-focused project activity, it also resulted in a relatively low rate of activity being developed in this Measure until well into 1998. Although this situation did improve over the life of the Programme, it is clear that not all the revised SPD indicator targets in the Measure have been fully achieved.

An example of a project supported in Measure 2.1 was ES/TD/99/025 - Scottish Mining Museum Promotional Partnership 2000. This project was led by the Scottish Mining Museum and sought to develop a partnership of public and private sector organisations in Midlothian aimed at promoting the range of tourism facilities within the area to identified travel target groups.

4.2.7 Priority 2 Tourism
Measure 2 Support for strategic tourism development (ERDF)

Agreed SPD Objectives of Measure 2.2

- to strengthen and diversify the tourism product.

Final Finance Summary in Measure 2.2

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
27	£83,786,221	£82,117,457	£11,314,978	£11,013,511	97%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
27	127.022	124.491	17.154	16.696	97%

Analysis of Measure 2.2 Indicators

Physical Outputs

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of new tourist attractions created	10	13	11	98%	85%
Number of existing tourist attractions improved	20	13	15	98%	115%

Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of gross direct new jobs	607	2,256	1,611	98%	71%
Number of gross direct jobs safeguarded	1,131	3,488	2,483	98%	71%
Gross additional day visitors from outside the Programme Area	227,800	768,135	2,982,784	98%	388%
Increase additional overnight visitors from outside the Programme Area	80,000	269,745	851,708	98%	316%
Gross additional visitor spend	£21.2m	£71.49m	£44.15m	98%	62%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional new jobs	280	1,023	955	98%	93%
Number of net additional jobs safeguarded	522	1,571	1,460	98%	93%

Final progress achieved in implementing Measure 2.2

There was a much higher level of activity achieved in Measure 2.2 during the Programme period than was originally forecast in the SPD. This was principally due to a number of large projects being undertaken at a relatively low level of grant intervention. For example, in 1998 an ERDF grant of £3.8m was approved to ES/TD/97/024 - The Millennium Link at a grant intervention rate of less than 10%. As a consequence of this large increase in the overall level of project activity being secured, it is clear that many of the revised SPD indicator targets in the Measure have either been exceeded or nearly achieved.

An example of a project supported in Measure 2.2 was ES/TD/99/023 - Gean House Business Reception & Conference Centre. This project from Clackmannanshire Enterprise created a 25-bedroom/6-conference room residential Business Reception and Conference Centre in Alloa dedicated entirely to business use. Now fully established, Gean House is a flagship visitor attraction in Clackmannanshire capable of attracting significant net additional value to the tourism product in this part of the Programme area.

4.2.8 Priority 2 Tourism
Measure 3 Promotion of targeted tourism skills development and employment support (ESF)

Agreed SPD Objectives of Measure 2.3

- to meet the skills demands of SMEs in the tourism industry;
- to deliver training that meets these demands appropriate to the needs of the industry as regards methodology and skill levels;
- through the support for human resource development relevant to the industry, to help promote and sustain a more dynamic and competitive tourism economy; and,
- to address the problems of seasonality by providing support for schemes of assistance which are aimed at extending opening hours and the operating season of tourism businesses and visitor attractions.

Final Finance Summary in Measure 2.3

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
43	£4,712,102	£3,952,300	£1,945,090	£1,673,084	86%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
43	7.318	6.138	3.021	2.598	86%

Analysis of Measure 2.3 Indicators

Physical Outputs

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of employed people trained	3,416	3,893	1,836	98%	47%
Number of jobless (unemployed/returners) trained	854	1,076	903	98%	84%

Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of gross direct new jobs	325	207	376	98%	182%
Number of gross direct jobs safeguarded	97	62	81	98%	131%
Number of people gaining a vocational qualification at SVQ level 2 or equivalent or above	2,562	1,325	1,454	98%	110%
Number of people completing industry specific non-VQ courses	726	1,816	1,285	98%	71%
Number of employed beneficiaries remaining in employment 12 months after completion of training	3,074	2,991	1,652	98%	55%
Number of unemployed beneficiaries securing employment on completion of training	555	689	451	98%	65%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional new jobs	155	99	171	98%	173%
Number of net additional jobs safeguarded	51	32	42	98%	131%

Final progress achieved in implementing Measure 2.3

The approach adopted by the Tourism Advisory Group of only supporting training geared to the needs of the tourism industry rather than just supporting standard college provision resulted in a relatively low number of projects being approved in Measure 2.3. Although this situation did improve over the life of the Programme as more partners developed better-focused projects, it is clear that not all the agreed SPD indicator targets in the Measure will be fully achieved.

An example of a project approved in Measure 2.3 was 990516UK2 - Tourism Training for Tomorrow. This project from Glenrothes College sought to provide training from a menu of modules including food preparation, hospitality operations, as well as front of house training, communications, numeracy and IT. All training was undertaken in close co-operation with SMEs in the hospitality industry.

4.2.9 Priority 3 Locally Based Initiatives **Measure 1 Community Economic Development (ERDF)**

Agreed SPD Objectives of Measure 3.1

- to build capacity within the community by assisting enterprise including community enterprise and the stimulation of competitive businesses in order to increase the level of economic activity in the target communities; and,
- to remove barriers to access to human resource development, employment and enterprise opportunities.

Final Finance Summary in Measure 3.1

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
65	£17,908,595	£16,063,839	£7,895,125	£7,039,067	89%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
65	27.149	24.354	11.969	10.672	89%

Analysis of Measure 3.1 Indicators

Physical Outputs

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of existing SMEs assisted	300	336	114	80%	34%
Number of new SMEs assisted	150	264	171	80%	65%
Number of existing/new SMEs receiving financial support	450	600	43	80%	7%
Area of new business premises constructed	6500m ²	5,268m ²	7,700m ²	80%	146%
Area of business premises refurbished	3500m ²	2,270m ²	3,300m ²	80%	145%
Area of greenfield land prepared for development	1ha	0.5ha	0	80%	0%
Area of brownfield land reclaimed/prepared for development	2ha	1.14ha	0	80%	0%
Area of environmental improvements	100ha	62.07ha	101ha	80%	163%
Area of new training/community facilities constructed	6,870m ²	3,325m ²	6,671m ²	80%	201%
Area of training/community facilities refurbished	3,696m ²	4,706m ²	4,506m ²	80%	96%
Number of community groups/organisations assisted	50	485	308	80%	63%

Number of community transport/transport information initiatives	4	1	1	80%	100%
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Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Gross new sales in SMEs	£58.0m	£21.2m	22.21m	80%	105%
Gross safeguarded sales in SMEs	£21.2m	£8.4m	£7.63	80%	91%
Number of gross direct new jobs	1,033	419	392	80%	94%
Number of gross direct jobs safeguarded	362	143	125	80%	87%
Gross CED residents into employment	772	324	302	80%	93%
Number of new businesses started-up – of which 65% surviving one year and 45% surviving three years <i>and</i> of which 25% to be started by unemployed people	100	642	564	80%	88%
Number of child/dependent care places created	800	77	68	80%	88%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional new jobs	770	253	202	80%	80%
Number of net additional jobs safeguarded	267	83	60	80%	72%
Gross additional CED residents into employment	536	200	166	80%	83%

Final progress achieved in implementing Measure 3.1

The development of local partnerships and strategies in the various LBI areas ensured that projects were developed which were in line with the wishes of the local communities. Although it was possible to support a range of revenue and capital activity under Measure 3.1, partners were particularly effective at developing schemes geared at providing additional business space and training/community facilities. As a consequence, it is clear that the revised SPD targets relating to these physical indicators were achieved. In contrast, the revised indicators for 'Number of existing/new SMEs receiving financial support' and 'Area of greenfield/brownfield land prepared for development' were not achieved and a much lower level of progress reported at final claim than anticipated. This was due to a small number of previously approved projects which had forecast activity towards these latter indicators not being fully implemented. Unfortunately, close reference had been made in 1999 in the setting of the revised indicator targets to forecast activity identified in these project application forms.

There was also a tendency during the implementation of the Programme for partners to use ERDF Measure 1.2 – Support for SME growth and development as the key mechanism to provide assistance to SMEs in LBI areas. Whilst this enabled economic development intermediaries to provide a comprehensive and integrated range of SME support across all their target areas and enabled them to benefit from certain economies of scale, it was often at the expense of developing more discreet projects aimed at promoting business development exclusively in LBI areas. An important challenge for the 2000 – 2006 Programming period is therefore to ensure that LBI areas, which by their designation are often more disadvantaged in terms of SME opportunity and support, fully benefit from Structural Fund resources and suitable business support projects that meet the identified needs are designed by partner organisations.

An example of a project supported in this Measure was ES/LI/99/037 - Ardler Regeneration Phase 1. This project from Dundee City Council sought to undertake an integrated programme of environmental improvements within the Ardler area of Dundee. The area is a 1960's public sector housing development, which suffers from high levels of vandalism and fire-raising that leads to a general sense of insecurity in the area. All works were undertaken in consultation with the Dundee Partnership Community Regeneration Group. This group was expanded in recent years to include representation from the local communities, Dundee Voluntary Action, the Dundee Community and Voluntary Alliance and the Health Board.

4.2.10 Priority 3 Locally Based Initiatives
Measure 2 Community Economic Development (ESF)

Agreed SPD Objectives of Measure 3.2

- to remove barriers to accessing training through guidance, counselling, preparatory training and related support services;
- to provide training, work experience and employment measures for individuals in growth areas identified by the labour market;
- to assist schemes which match or adapt the skills of individuals in the targeted areas to the needs of existing or potential employers;
- to assist in the training and job support needs of local business and other local enterprise activities; and,
- to assist, through training and related support, the development of local capacity building.

Final Finance Summary in Measure 3.2

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
93	£11,798,387	£9,004,430	£5,147,472	£3,944,552	77%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
93	18.324	13.984	7.994	6.126	77%

Analysis of Measure 3.2 Indicators

Physical Outputs

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of employed people trained	2,019	1,976	2,108	87%	107%
Number of jobless (unemployed/returners) trained (of which 30% through work experience based training/wage subsidy schemes)	2,019	10,627	9,829	87%	92%
Number of jobless in LBI area trained through work experience based training/wage subsidy schemes	606	747	1,185	87%	159%

Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of gross direct new jobs	315	523	715	87%	137%
Number of gross direct jobs safeguarded	40	15	19	87%	127%
Gross CED residents into employment	355	484	672	87%	139%
Number of people gaining a vocational qualification at SVQ level 2 or equivalent and above	1,616	3,009	2,299	87%	76%
Number of employed beneficiaries remaining in employment 12 months after completion of training	1,616	996 (Only 1999 figure available)	1,684	87%	169%
Number of CED residents securing employment on completion of training	1,211	941 (Only 1999 figure available)	1,520	87%	162%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional new jobs	170	221	301	87%	136%
Number of net additional jobs safeguarded	36	14	17	87%	121%
Gross additional CED residents into employment	319	484	661	87%	137%

Final progress achieved in implementing Measure 3.2

There was a strong level of demand for resources in Measure 3.2 from the partnership throughout the Programme period and in 1999 there was a significant virement of resources into the Measure. As a consequence, it is clear that most of the revised SPD indicator targets for the Measure have been achieved. A thematic area particularly worthy of note was the high level of activity that was targeted specifically at unemployed residents in LBI areas.

An example of a project supported in Measure 3.2 was 970525UK2 - Central Fife Employment Initiative. This project from Fife Council aimed to offer a comprehensive job match service that would assist the unemployed from LBI areas to gain employment. The project also sought to provide a recruitment support service to employers on a Fife-wide basis.

4.2.11 Priority 4 Technology and Innovation
Measure 1 Increasing the technological capacity of SMEs (ERDF)

Agreed SPD Objectives of Measure 4.1

- To promote and facilitate the emergence and growth of knowledge based SMEs.

Final Finance Summary in Measure 4.1

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
27	£9,072,225	£7,555,737	£4,233,774	£3,486,067	82%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
27	13.754	11.454	6.419	5.285	82%

Analysis of Measure 4.1 Indicators

Physical Outputs

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of research and development/technology transfer initiatives (of which 10% environmental technology initiatives)	15	195*	298	70%	153%
Number of existing SMEs assisted	917	596	931	70%	156%
Number of new SMEs assisted	398	114	83	70%	73%

*Please note: Partners appear to have used a wide interpretation of the term 'technology transfer initiative' both in nature and duration. These figures therefore need to be treated with a degree of caution.

Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Gross new sales in SMEs	£130.6m	£74.44m	£52.09m	70%	70%
Gross safeguarded sales in SMEs	£43.7m	£28.38m	£18.45m	70%	65%
Number of gross direct new jobs	1,577	889	978	70%	110%
Number of gross direct jobs safeguarded	515	333	1,006	70%	302%
Number of new businesses started-up – of which 65% surviving one year and 45% surviving three years	40	Unable to determine figure	0	70%	0%
Number of assisted SMEs implementing process or product improvements	658	116	250	70%	216%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional new jobs	1,338	779	547	70%	70%
Number of net additional jobs safeguarded	454	295	191	70%	65%

Final progress achieved in implementing Measure 4.1

The requirement to undertake the *Technology and Innovation Policy Framework* in 1997 certainly delayed the implementation of this Measure. Although the additional consultancy work undertaken in 1998 with potential project sponsors increased significantly the volume and quality of applications received in the Measure, it is clear that many of the revised SPD indicator targets have not been fully achieved.

An example of a project supported in Measure 4.1 was ES/TI/97/009 - Forthright Innovation. Scottish Enterprise Forth Valley led this project which helped to stimulate innovation, product development and technology transfer activities in up to 229 local SMEs in order to assist their growth and development. The range of services offered to SMEs by Forthright Innovation included information support, technology audits, technical marketing research and support in accessing financial resources.

4.2.12 Priority 4 Technology and Innovation
Measure 2 Provision of facilities designed to strengthen the local R&D, technology transfer and HRD system for SMEs (ERDF)

Agreed SPD Objectives of Measure 4.2

- to underpin innovation, technology transfer and technology training; and,
- to promote partnership programmes and collaborative working involving research centres, training providers and local SMEs.

Final Finance Summary in Measure 4.2

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
24	£33,472,318	£29,950,454	£11,254,483	£10,070,790	89%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
24	50.745	45.405	17.062	15.268	89%

Analysis of Measure 4.2 Indicators

Physical Outputs

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Area of new specialised technology premises provided	10,000m ²	26,429m ²	20,273m ²	68%	77%
Area of refurbished specialised technology premises provided	5,000m ²	12,832m ²	3,631m ²	68%	28%
Area of new technology training premises provided	5,000m ²	10,244m ²	19,789m ²	68%	193%
Area of refurbished technology training premises provided	5,000m ²	6,983m ²	350m ²	68%	5%
Number of research and development/technology transfer initiatives supported	15	Unable to determine figure	0	68%	0%
Number of research and development/technology transfer initiatives concerned with environmental technology	2	0	0	68%	0%
Area of greenfield land prepared for development	2ha	2ha	5.28ha	68%	264%
Area of brownfield land reclaimed/prepared for development	4ha	8.99ha	0.89ha	68%	10%

Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of gross direct new jobs	397	587	389	68%	66%
Number of gross direct jobs safeguarded	170	251	168	68%	67%
EMAS Registered sites	4	0	0	68%	0%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional new jobs	372	579	369	68%	64%
Number of net additional jobs safeguarded	160	238	161	68%	68%

Final progress achieved in implementing Measure 4.2

Despite a slow start in 1997, the number and quality of project applications received in Measure 4.2 increased dramatically in late 1998 and 1999 following the additional consultancy work undertaken with prospective project sponsors. Despite this increase, it is clear that many of the revised SPD indicator targets for this Measure have not been achieved. In particular, progress in some indicators such as 'Area of refurbished technology training premises provided' and 'Area of brownfield land reclaimed/prepared for development' has been very poor. In contrast, the revised indicators relating to new-build activity and for greenfield site development show a much improved performance with some targets being well exceeded. In this regard, it is clear that site availability has heavily influenced the location and timing of much of the physical activity supported in this measure.

Amongst the projects supported in Measure 4.2 during the Programme was ES/TI/97/018 - Business Development and Training Centre. This project from Lauder College involved the creation of a comprehensive and integrated managed facility for SMEs. Through a combination of new build and refurbishment, the 1,797m² Business Learning Centre now offers SMEs a range of common business facilities. These include a management training suite (combination of large and small rooms), conference and seminar rooms, a resource base and ample training areas. A particular feature of the Centre is that SMEs, and especially micro companies/newly formed businesses are now encouraged to make use of the facilities for both training and the provision of "common services" including "back office" functions associated with call centres. The Centre is also available to small companies who do not otherwise have access to facilities such as video-conferencing, internet and electronic commerce services, multi-medial production and call centre applications.

4.2.13 Priority 4 Technology and Innovation
Measure 3 Development Skills in technology and applied research (ESF)

Agreed SPD Objectives of Measure 4.3

- to improve skills levels to enable SMEs to increase innovation, technology transfer and product and process development;
- to increase the level of technological activity in SMEs;
- to improve skills levels in new technologies; and,
- to meet specific skills shortages in key areas of technology and innovation.

Final Finance Summary in Measure 4.3

Financial Information expressed in sterling

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
67	£9,486,278	£6,868,522	£3,639,351	£2,834,277	78%

Financial Information expressed in MEUROS

No of Projects	Approved Expenditure	Declared Expenditure	Grant Committed	Grant Paid	% Grant Committed Actually Paid
67	14.733	10.667	5.652	4.402	78%

Analysis of Measure 4.3 Indicators

Physical Outputs

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of employed people trained	1,157	1,627	1,322	89%	81%
Number of jobless (unemployed/returners) trained	771	2,431	1,743	89%	72%

Intermediate Results

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of gross direct new jobs	198	429	555	89%	129%
Number of gross direct jobs safeguarded	38	34	70	89%	206%
Number of people gaining a vocational qualification at SVQ level 3 and above	1,312	2,032	2,299	89%	113%
Number of employed beneficiaries remaining in employment 12 months after completion of training	1,041	1,055 (Only 1999 figure available)	1,190	89%	113%
Number of unemployed beneficiaries securing employment on completion of training	540	576 (Only 1999 figure available)	871	89%	151%

Economic Impacts

MONITORING INDICATOR	ORIGINAL SPD TARGET	REVISED SPD TARGET	PHYSICAL PROGRESS AT FINAL CLAIM	% SPD GRANT ALLOCATION PAID	% REVISED SPD TARGET ACHIEVED
Number of net additional new jobs	158	301	412	89%	137%
Number of net additional jobs safeguarded	38	35	73	89%	209%

Final progress achieved in implementing Measure 4.3

Although no projects were formally approved in 1997, the level of ESF project activity in this measure increased significantly during the remainder of the Programme. As a consequence, it is likely that most of the agreed SPD indicator targets in Measure 4.3 have been achieved.

An example of a project supported in this Measure was 980561UK2 - Higher Level Training in Bioinformatics. This project from the University of Abertay Dundee was a full-time postgraduate training course lasting one year. It led to the award of the University of Abertay's MSc degree in Bioinformatics. The main training related feature of the project was the emphasis placed on acquiring advanced applied computational skills. This was achieved by a work experience element consisting of a research project in an area of DNA sequence analysis, system analysis of a typical biological research institute, commercial application of new processes in Bioinformatics, and mathematical/computer modelling which was of a direct industrial application. Individual research programmes were supervised by an academic member of University staff and often involved external organisations.

CHAPTER 5: PROGRAMME CONTROL ACTIVITY

5.1 Programme Irregularities

Checks to exercise financial control and detect irregularities are carried out in accordance with Article 23(2) of Regulation (EEC) No 4253/88 both by the Member State and by the Commission. The checks ensure that funds are being spent in accordance with the objectives of the programme, the rules in force at that time, and the principles of sound financial management. They also ensure that all expenditure certified for assistance has actually been incurred, and is correct, eligible, regular, and supported by original project documentation. The Member State and the Commission exchange all relevant information concerning the results of these checks in accordance with Regulation (EC) No 1681/94, which addresses irregularities and the recovery of money wrongly paid. Formally, the Member State makes a quarterly return to the Commission reporting any irregularities discovered. No irregularities were detected during the Programme period.

In addition, all ERDF final claims must be certified by an independent accountant/auditor. The certification must confirm that expenditure reported in final claims has been properly spent in accordance with the conditions of grant.

During the Programme, every effort was made to encourage project sponsors to submit quarterly ERDF payment claims. Also regular reminders were given to partners at Monitoring Committee and Management Committee meetings.

5.2 Audits and Monitoring Checks

Audits and monitoring checks were carried out on a number of projects supported during the 1997 – 1999 Programme as follows:

5.2.1 *European Commission and Court of Auditors*

There were no audits or checks carried out on ERDF or ESF projects by either the Commission or the Court of Auditors during the programme period.

5.2.2 *Member State*

European Regional Development Fund:

A total of eleven ERDF projects received a verification check from the Scottish Executive. These are listed overleaf. In three cases, irregularities were reported to the Commission and although no major problems were found with the other projects, a number of improvements were nevertheless made to the operating and management systems of the various project-implementing agencies. In five cases there was also a requirement to disallow a small amount of project expenditure and in some cases reclaim ERDF grant previously paid.

Project Ref	Implementing Agency	Project Title	Date Monitored
ES/LI/97/002	Brag Enterprises Ltd	LB1 Partnership Project	16 May 2000
ES/TD/97/035	Scottish Enterprise Tayside	Dundee Science Centre	12 Feb 2001
ES/DD/99/029	Clackmannanshire Enterprise	Alloa Business Park Phase 8	14 Feb 2001
ES/LI/99/019	McSence Ltd	McSence Limited Supported Workshop Units (Mayfield)	15 Feb 2001
ES/TI/97/013	Roslin Institute	Roslin Biotechnology Centre	16 Feb 2001
ES/TD/99/011	Stirling Council	Forthside Visitor Management Programme	12 March 2001
ES/TD/98/034	Bo'ness Development Trust	Scottish Railway Museum Project Phase 1B	08 April 2002
ES/DD/97/082	Fife Council	Rosyth Euro Parc Regeneration Stage 1 Viking Forties & Cromarty	09 April 2002
ES/LI/99/040	Lothian Housing Association	The Hays Neighbourhood Business Support Centre	10 April 2002
ES/TI/99/051	Scottish Agricultural College	Animal Welfare Centre	11 April 2002
ES/LI/97/019	Scotspeak	Scotspeak Community Sound Archive Stage 1	30 August 2002

European Social Fund:

A total of seven ESF projects received a verification check from the Department for Employment & Education (DFEE). These are listed below. As a consequence of these audits being undertaken, a number of improvements were made to the operating systems of the various project-implementing agencies.

Project Ref	Implementing Agency	Project Title	Date Monitored
970433UK2	Jewel & Esk Valley College	Business Skills for SMEs	7 January 1998
970379UK2	Edinburgh Chamber of Commerce	Vocational Training in International Trade	8 January 1998
970560UK2	University of Abertay	Advanced Practical Training in Industrial Technologies	24 June 1998
970458UK2	Scottish Wildlife Trust	Dundee Environmental Training Project	23 February 1999
980471UK2	Dundee Vocational Training Initiative	Dundee Vocational Training Initiative	21 July 1999
970514UK2	Craigmillar Festival Society	Construction Apprentice Training Project	24 February 1999
970390UK2	Falkirk College	Fast Track for Employment	25 February 1999

5.2.3 Programme Executive

In order to ensure compliance with Commission Regulation (EC) No 2064/97 - 'establishing detailed arrangements for the financial control by member states of operations co-financed by the structural funds', which came into force on 1 January 1998, the Programme Executive was required to undertake a programme of project monitoring visits. These were done to ensure that assisted projects in the 1997 – 1999 Programme were being implemented in accordance with the approved application. The criteria adopted by the Programme Executive to select which projects to visit ensured that a wide range of ERDF and ESF projects from the various partner constituencies were monitored during the Programme period. After each visit, the Programme Executive completed a monitoring form detailing any recommendations, which was sent to both the Implementing Authority and the relevant project sponsor.

European Regional Development Fund:

A total of thirty-six ERDF projects received a monitoring visit from the Programme Executive during the Programme period. These are listed below. Although no major problems were discovered, a number of improvements were nevertheless made to the operating and management systems of the various project-implementing agencies.

Project Ref	Implementing Agency	Project Title	Date Monitored
ES/DD/97/003	Mid Fife Business Trust	Action for Enterprise	18 March 1998
ES/LI/97/002	BRAG Enterprises	LBI Partnership Project	20 March 1998
ES/DD/97/036	Scottish Enterprise Edinburgh & Lothians	Targeting SME Growth	23 April 1998
ES/LI/97/008	Fife Council	Community Enterprise Development Scheme	7 May 1998
ES/DD/97/002	Falkirk Council	SME Business Development Aftercare	19 May 1998
ES/TD/97/009	Kingdom of Fife Tourist Board	Development of Activity Holidays in Fife	22 May 1998
ES/DD/97/073	Scottish Enterprise Tayside	Dundee Medipark Development	25 May 1998
ES/DD/97/017	Scottish Enterprise Tayside	Business Shops	28 May 1998
ES/DD/97/082	Fife Council	Rosyth Euro Parc Regeneration Stage 1	3 June 1998
ES/DD/97/027	Scottish Enterprise Forth Valley	Forth Valley Business Services Network	9 June 1998
ES/DD/97/089	Angus Council	Advanced Food Sector Factory Accommodation	30 June 1998
ES/TF/97/023	Angus Council	Centre for Excellence in Engineering Skills	30 June 1998
ES/DD/97/011	Fife Council	Green Business Fife Phase III	7 July 1998
ES/TF/97/002	Scottish Enterprise Edinburgh & Lothians	SCIS II	9 July 1998
ES/DD/97/112	Clackmannanshire Enterprise	Hillfoots Small Business Support	10 July 1998
ES/LI/98/008	Dundee City Council	Mid Craigie Community Regeneration Phase 1	15 July 1998
ES/LI/97/023	Falkirk Council	Local Exchange Trading Scheme	16 July 1998

ES/LI/97/035	The City of Edinburgh Council	Craigmillar European Programme Phase 1	17 July 1998
ES/DD/97/101	Midlothian Enterprise Trust	SME Waste Minimisation Initiative	28 July 1998
ES/TD/97/008	Scottish Enterprise Forth Valley	Tourism High Growth Programme	6 August 1998
ES/TD/97/010	Scottish Enterprise Fife	Fife Growing for Gold	7 August 1998
ES/TD/97/017	Scottish Enterprise Fife	Fife Coastal Path Phase III	7 August 1998
ES/DD/97/014	Fife Council	Company Development	10 August 1998
ES/TD/98/014	Angus Council	Carnoustie Open Advance PR & Booking Unit	11 August 1998
ES/DD/97/076	East Lothian Council	East Lothian Business Shops Phase III	11 August 1998
ES/TI/97/018	Lauder College	Business Development and Training Centre	20 August 1998
ES/DD/97/001	Fife Council	Business Support Network	9 September 1998
ES/TI/97/013	Roslin Institute	Roslin Biotechnology Centre	28 September 1998
ES/DD/97/115	Clackmannanshire Enterprise	Inglewood Business Reception Centre	21 October 1998
ES/TD/98/002	Dundee Industrial Heritage Trust	Upgrading of Discovery Point "Ice Room"	16 February 1999
ES/TI/99/001	Dundee City Council	Design & Manufacturing Facilities	12 July 1999
ES/TI/99/007	Dundee City Council	Design & Manufacturing Facilities	12 July 1999
ES/LI/99/003	Fife Council	Developing Integrated Centres	16 July 1999
ES/TD/98/023	Dundee College	Dundee Dance and Conference Centre	27 July 1999
ES/DD/99/001	Clackmannanshire Enterprise	Business Support Programme for SMEs in Clackmannanshire	6 August 1999
ES/DD/99/015	Scottish Enterprise Fife	Oil and Gas Cluster Action Plan for Fife 1999	27 September 1999
ES/LI/99/001	Angus Council	Arbroath Community Telematics Initiative	1 October 1999

European Social Fund:

In all, the Programme Executive undertook 38 monitoring visits to ESF projects from the 1997 – 1999 Programme during the programme period. These are listed below. The only significant concern identified related to project 970560UK2, which subsequently led to a formal audit being undertaken by the DFEE.

Project Ref	Implementing Agency	Project Title	Date Monitored
970374UK2	Dundee College	Training & Upskilling in Management and Professional Skills	30 March 1998
970560UK2	University of Abertay	Advanced Practical Training	30 March 1998
970528UK2	Fife Council	Part Time Study at Kirkland	31 March 1998
980390UK2	Fife College	Enterprise Awareness and Skills	14 May 1998
980493UK2	Stirling Business Links	Local Employment Market Intelligence	9 June 1998
980376UK2	Edinburgh Chamber of Commerce	Vocational Training in International Trade	10 July 1998
980450UK2	Stirling Council	Tourism Business Enhancement Training	30 July 1998

970537UK2	Scottish Enterprise National	FVE – TEGS 1997	31 July 1998
970538UK2	Scottish Enterprise National	LEEL – TEGS 1997	31 July 1998
980404UK2	Glenrothes College	Management Training for SMEs	24 August 1998
970476UK2	Tourist Board Training	Tourism in Tayside	25 September 1998
970401UK2	Fife College	HN Training in Retail, Marketing, Distribution & Applied Consumer Studies	13 October 1998
980380UK2	Falkirk College	Training for Childminders	23 October 1998
970554UK2	Falkirk College	Mechatronics Training	23 October 1998
980515UK2	Glenrothes College	Accreditation Centre	30 October 1998
980418UK2	Lauder College	Management Training for SMEs	2 November 1998
970453UK2	Scottish Enterprise National	New Start Programme	11 November 1998
970550UK2	Dundee and Tayside Chamber of Commerce	Information Technology Skills for SMEs in Ethnic Communities	2 March 1999
980569UK2	Heriot Watt University	IT Training for Unemployed Graduates	12 March 1999
980548UK2	Jewel & Esk Valley College	Skills Development for the Tourism Industry in the Lothians	15 March 1999
980501UK2	West Lothian Council	Bespoke Tactix LBI 1998	26 March 1998
990471UK2	Falkirk College	Advanced IT Skills for SMEs	4 August 1999
990486UK2	University of Abertay	Higher Level Training in Bioinformatics	10 August 1999
990469UK2	Edinburgh Chamber of Commerce	Applying Information and Communication Technology Skills to Business Needs for SMEs	19 August 1999
990489UK2	West Lothian College	Mechatronics (Full Time)	23 August 1999
990439UK2	The Claverhouse Group	New Opportunities for Employment	1 September 1999
990432UK2	Tourist Board Training	Higher National Tourism Training in Central	2 September 1999
990477UK2	Scottish Enterprise Fife	Technology Training and Development	2 September 1999
990398UK2	Jewel & Esk Valley College	Business Skills for SMEs	6 September 1999
990424UK2	Elmwood College	Training for the Golf Industry	6 September 1999
990425UK2	Falkirk College	Step Ahead in the Tourism Sector	14 September 1999
990362UK2	Craft Bakery Training Organisation	Assisting Skill Areas in SMEs	16 September 1999
990426UK2	Jewel & Esk Valley College	Skills Development for the Tourism Industry in the Lothians	23 September 1999
990423UK2	Dundee College	Targeted Vocational Training to Meet the Skill Needs of the Tourism Sector	27 September 1999
990357UK2	Central Scotland Chamber of Commerce	Vocational Training for Employees of SMEs in the Road Transport Industry	28 September 1999
990435UK2	Angus Council	IT and Customer Service Training Initiative	1 October 1999
990455UK2	Next Steps	Next Steps	5 October 1999
990463UK2	Stirling Council	Credit Union Development Scheme	13 October 1999

CHAPTER 6: PROGRAMME EVALUATION

6.1 Summary of Interim Evaluation

From October 1998 until January 1999, the economic consultants EKOS LTD undertook the Interim Evaluation of the 1997 – 1999 Programme.

The main aim of the Interim Evaluation was to establish the extent to which the Programme was making progress towards achieving its aim through its stated objectives and targets and to recommend ways in which the Programme might be refocused over the remainder of the Programme period. It also sought to inform the process of developing the strategy for the East of Scotland Objective 2 Programme 2000 – 2006.

In summary the objectives of the Interim Evaluation involved:

- an analysis of the processes and systems used to implement the Programme e.g. application processes
- an evaluation of the effectiveness of the Programme to date
- Recommendations for changes to delivery mechanisms and the structure of the Programme

The Interim Evaluation study involved a combination of desk-based research and primary research. The primary research undertaken consisted of ten policy workshops covering the four Priorities in the Programme, along with Equal Opportunities, the Environment, Large Projects and Modulation, Human Resource Development and Training, and Strategic Capacity Development. The Business Development Priority was split between Property and Infrastructure and the revenue related issues.

In total 40 consultations were undertaken with members of the partnership, Programme Executive staff, The Scottish Executive and the European Commission. Project sponsors were also telephoned as part of an early assessment of activities and outputs in the Programme.

The Interim Evaluation assessed that the Eastern Scotland Objective 2 Programme 1997 – 1999 was making good progress towards meeting the objectives set out in the approved SPD. It concluded that the Programme had benefited from a well-organised Programme Executive whose work was appreciated by project sponsors.

The Interim Evaluation also highlighted that the Eastern Scotland Partnership had been successful in a number of important areas. In particular, it noted the support given to a number of truly leading edge technology projects and the development of sub-strategies that involved partners identifying and agreeing a more strategic approach to planning.

In criticism, the Interim Evaluation felt that the Eastern Scotland Partnership required giving attention to business development, particularly with regard to increasing strategic focus and synergy. It also observed that the number of employees benefiting from ESF funded training was lower than the number of unemployed/jobless beneficiaries.

However, overall the Interim Evaluation assessed that the Eastern Scotland Programme had made considerable progress both in terms of financial and physical implementation, but also in regard to systems and procedures. It also considered that the Eastern Scotland Partnership had matured considerably, and in many areas such as the promotion of sustainable development, could provide examples of good practice from which other Programmes could benefit.

The SPD Monitoring Committee considered the final draft of the Interim Evaluation on 12 April 1999. The consultants made a presentation of their key findings and a Commission representative was present at this meeting.

6.2 Recommendations of the Interim Evaluation

In total, the Interim Evaluation proposed twenty recommendations aimed at improving the operation of the 1997 – 1999 Programme and future Structural Funds Programmes in the East of Scotland. These were:

In relation to monitoring progress

- that the Programme Executive complete the exercise on revised indicators and targets for each project, and continue to encourage all project sponsors to report in this manner;
- that the Programme Executive produce detailed guidance and organise workshops on the new indicators. This would improve the quality of the monitoring data of approved projects and be of value in preparing for future Programmes;
- that project applicants should be required at the time of application to state in detail how they will monitor projects, including method (phone, telephone, post), sample number (proportion of beneficiaries) and frequency; and that the monitoring plan should be regarded as part of the contract. The Programme Executive and Advisory Groups should only recommend support for a project when they are satisfied that adequate monitoring arrangements are in place;
- the Programme Executive should maintain, and if possible increase, the number of monitoring visits to projects;

In relation to promoting synergy

- that in future Programmes, SME development strategies at the sub-regional level should be developed to focus resources and strengthen synergy;
- that in future Programmes, the scoring and appraisal system should be amended to place greater emphasis on links to other projects/strategies;

In relation to the project selection methodology

- the current project selection should be maintained for the duration of the 1997 – 1999 Programme, but future Programmes should develop a system based on securing high marks, rather than avoiding low scores;
- all revenue generating projects should submit Discounted Cash Flow models (or a similar type approach) and present a detailed case as to why the support sought is the minimum necessary for the project to proceed;
- the Advisory Group and the Programme Executive should have the resources to commission an independent assessment of any project where they consider a more detailed examination is necessary;

In relation to the private sector

- that the Scottish Executive and the Programme Executive establish a sub-committee to resolve the issues of the implications of current practice for the Financial Tables, the appropriate grant rate to be applied to private sector applications, the method of assessing the minimum grant rate for each project and clawback provisions; and produce detailed, comprehensive guidelines (if necessary by commissioning research);

In relation to equal opportunities

- that a guidance publication is produced covering the definition of equal opportunity, where it can be an issue in relation to Programme funded activities, what steps can be taken at the project planning and implementation stages to address this issue;
- that the Programme Executive should issue regular gender analysis of ESF and ERDF training projects where data is available, and circulate these to members of all committees and the wider partnership;
- that the Equal Opportunities Commission are invited to nominate a member for the SPD Monitoring Committee;

In relation to assessing the impact of tourism support

- detailed guidance should be produced on how to measure the economic impacts of the various types of tourist projects supported by the Programme. Method should concentrate on identifying numbers of visitors from outside of the region, their length of stay and spend, and the additionality of their visit. Guidance should be produced on the extent and frequency of sampling required to accurately assess outcomes and impacts;

In relation to LBI residents, training and transport constraints

- that the Programme Executive commission a study to identify the facilities available in each of the LBI areas, including ownership of the building, number and size of available facilities and day/times at which the facilities are available. This document should be circulated to training providers and other partners;
- increased priority should be given to projects which are based and run within LBI target areas;

In relation to delayed starts to Programmes

- that, in future, the Commission and the Implementing Authority resolve to complete negotiations within three months of the draft SPD being submitted;
- that Programmes should last for the agreed number of years from the date the SPD is approved and signed;

In relation to the interface between the Implementing Authority and the European Union

- that the Implementing Authority, the Programme Executive and the Commission identify the additional work/research which may be required for SPDs, in advance of the draft documents being submitted; and,
- major projects should be discussed with Advisory Groups, the Programme Executive, the Scottish Executive and European Union staff at an early stage of their development, and prior to formal submission of an application.

The above recommendations were accepted by the Partnership and have been fully taken account of, both in the closure of the Eastern Scotland Objective 2 Programme 1997 – 1999; and in developing the strategy and operational practices for the East of Scotland Objective 2 Programme 2000 – 2006.

6.3 Ex Post Evaluation of the 1994 – 1999 Objective 2 Programmes

In the summer of 2002, the European Commission instigated a major study for the 'Ex Post Evaluation of 1994 -1999 Objective 2 Programmes'. The study was carried out for the European Commission's DG Regional Policy by the Centre for Strategy & Evaluation Services (CSES), supported by evaluators from the EU Member States with Objective 2 Programmes.

The work consisted of a major literature review, including all previous evaluation materials, a series of General Assessment, looking at management information and documentation across all Programmes; and a series of more in-depth case studies. The regional case studies built on the 'General Assessments', enabling particular issues to be investigated in more detail and providing the information required for Objective 2 impacts to be more accurately assessed.

In total 36 of the 81 Objective 2 regions were covered by the case studies, and Eastern Scotland was selected as one of five UK case studies. The case study consisted of:

- Interviews with the Objective 2 Programme management staff to discuss general questions;
- The selection of 2-3 major projects per region that were chosen on the basis of being representative of the approach adopted with regard to particular Operational Measures;
- Interviews with (a) the project sponsor(s), i.e. organisations that are formally responsible for the project; (b) a sample of intermediaries, i.e. organisations with involvement in implementing particular project/measures; and (c) interviews with around five typical final beneficiaries.

The consultants co-ordinating the work in Eastern Scotland undertook the required interviews in late 2002 and expressed their thanks to all those involved for their full co-operation and assistance in completing the Case Study.