

COMMON STRATEGIC FRAMEWORK FUNDS: PROPOSED 'GROWTH PROGRAMME' MODEL NOVEMBER 2012

For the 2014-20 period the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Funds (EMFF)¹ will fall under the umbrella of the Common Strategic Framework (CSF). This alignment presents a real opportunity to implement much more strategically focussed programmes. The Government, in line with comments already received from stakeholders, is looking to ensure the Funds are more effective in their impact on growth, responsive to local needs and national priorities, more efficiently delivered and more accessible to potential beneficiaries.

The initial proposal that the Government has developed is for a model that includes as one element an "EU Growth Programme" where the objectives of the Funds overlap. This Programme will be financed by ERDF and ESF with a contribution from EAFRD (with some strategic alignment with EMFF where appropriate). This combined programme would cover innovation including research and development, SME competitiveness, skills, low carbon and employment as top priorities.

The Government wants investments under the "EU Growth Programme" to be as coherent as possible. To ensure consistency with the Government's economic development approach and for investments under the CSF Funds to be responsive to local needs the Government would like to invite Local Enterprise Partnerships (LEPs) to be the fundamental building blocks of the 'EU Growth Programme'. LEPs would have full term (i.e. 2014-2020) "notional allocations" for EU funding for ERDF, ESF and the relevant aspects of EAFRD. These notional allocations would be reviewed and adjusted according to performance. LEPs would be incentivised to collaborate in larger groupings to deliver improved impact, scale and flexibility of their proposed investments. In a limited number of areas additional administrative functions may be delegated where this would deliver better value, higher impact results.

At a technical level, each CSF Fund would continue to operate as a distinct fund with its day to day running being overseen by the respective managing authority. To ensure coherence, there would be an "EU Growth Programme Board" made up of Government and Commission representatives plus key stakeholders. This Board would oversee the investments and administration of ERDF and ESF. In addition, the portfolio of investments under each thematic heading would be overseen by a thematic steering group who would work closely with relevant stakeholders.

Under this model LEPs would identify their proposed portfolio EU investment prospectus alongside their wider investment strategies. These investment prospectuses including financing plans and performance targets would be agreed by Government through the EU Growth Board. Once agreed LEPs would also have a role in ensuring their delivery.

The Government would expect the CSF Funds to be, in part, match funded through local resources including by attracting local private sector match. In part Government would also be able to provide match funding. On some issues, Government may want to align elements of the CSF funds more closely with its programmes (e.g. employment and prison related projects). In these cases, funding will take account of local needs.

The Government recognises that LEP capacity may be an issue in some areas. The Government will support LEPs in taking this work forward. It is proposed that ERDF, ESF & EAFRD (as well as BIS Local staff) would work collectively as "CSF Area Growth Teams" to advise and steer the development, delivery and administration of LEP investment strategies, as well as to ensure EU compliance.

¹ See the background briefing for more detail on these 4 separate Funds.

EMERGING COMMISSION THINKING FOR THE UK'S COMMON STRATEGIC FUNDS NOVEMBER 2012

Europe 2020 and National Reform Programme (NRP)

One of the overall objectives for the Common Strategic Framework (CSF) Funds is ensuring that they are directed towards investments that support the Europe 2020 strategy. This strategy is about delivering growth that is smart, sustainable and inclusive with a strong emphasis on job creation and poverty reduction. The strategy is focused on five main goals and targets:

- Employment - 75% of the 20-64 year-olds to be employed)
- Innovation (3% of the EU's GDP to be invested in R&D)
- Education - Reducing school drop out rates to below 10% and at least 40% of 30-34 year olds completing third level education)
- Poverty reduction - at least 20 million fewer people in or at risk of poverty and social exclusion.
- Climate/energy - Greenhouse gas emissions 20% lower than 1990; 20% of energy from renewables; and 20% increase in energy efficiency.

How these targets are being addressed in the UK through domestic initiatives is set on in the National Reform Programme. The Commission will also expect these issues to be a focus of the CSF Funds.

Country Specific Recommendations (CSR)

The European Commission has also identified specific issues for the UK to focus on to help address growth. These CSRs are set out in the NRP along with the domestic initiatives being taken to address them. Those with particular relevance to CSF Funds are:

- Continue to improve the employability of young people, in particular those not in education, employment or training
- Step up measures to facilitate the labour market integration of people from jobless households.
- Further improve the availability of bank and non-bank financing to the private sector, in particular to SMEs.

Again the Commission will view these as being key priorities for CSF Fund investments in the UK.

Common Strategic Framework

The framework is still under negotiation but early drafts set out the Commission's expectation for better alignment of the CSF Fund investments to improve coherence and impact of investments. Also improve the coordination of CSF Funds administration to increase efficiency and effectiveness.

Thematic concentration

Another mechanism the Commission is introducing to ensure the CSF Funds contribute to overall EU objectives is to require the funds to focus on a few specific themes. The minimum expenditure levels set under various themes will vary according to the relative prosperity of the area. The main areas covered and minimum levels are:

- The ratio of ESF funding to ERDF funding (significant variations depending on an area's prosperity).
- The percentage of ERDF that has to be directed on innovation, SMEs, low carbon and potentially ICT (currently 80% proposed with at least 20% of this directed at low carbon).
- A concentration of ESF on 4 of the 18 investment priorities available (currently 80% proposed).
- The amount of ESF dedicated to social inclusion (currently 20% proposed).