

CHAPTER 1
INTRODUCTION TO THE STRUCTURAL FUNDS
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1.1 THE STRUCTURAL FUNDS MANUAL

1.1.1 This Manual has been developed with the aim of providing a single source of guidance on the Structural Funds covering all UK Departments. It has been revised with the help of the Office of the Deputy Prime Minister, the Department for Work and Pensions (DWP), The National Assembly for Wales, The Scottish Executive, DFP-Northern Ireland, the Department for Culture, Media and Sport, (DCMS) and the Department for the Environment, Food and Rural Affairs (DEFRA). It should be noted that the definitive source of guidance is the Structural Fund Regulations (Regulations), as notified in the Official Journal of the European Communities. The Regulations take precedence over other guidance and custom developed in the delivery of European Commission (EC) programmes.

1.1.2 **The original Manual was produced for internal use only.** It included descriptions of internal Government policy on Structural Funds issues and explained project appraisal and monitoring procedures. However, this revised version of the Manual provides a source of information for partners as well as Government.

1.1.3 The aim of the Manual aims to give a broad outline of the conditions under which grant can be given. Its drafting recognises that there must be a degree of flexibility, especially as it is not possible to cover all individual and unique circumstances. Certain projects will also need to be considered in the light of the relevant programme and its conditions for implementation. In some cases, however, the Manual sets clear criteria and in other instances it reflects inter-departmentally agreed policies, which would need further inter-departmental consideration if they were to be altered.

1.1.4 The DTI, as author of the Manual, recognises that a good deal of co-ordination may be needed within England, as Government Office (GO) responsibilities for Structural Funds issues are undertaken on behalf of a range of English Government Departments, even though GOs act with a degree of independence. The Manual therefore includes some detailed guidance which is specifically tailored to reflect English requirements. It should also be borne in mind that Regional Development Agencies, (RDAs), will take on an increasing role in Structural Funding as the programme period rolls forward.

1.1.5 The Manual is produced by the Regional European Funds and Devolution Directorate (REG E) in DTI, and includes contributions from other Departments. The text aims to codify existing best practice and to incorporate practical guidance on new policy when it is agreed by a relevant policy Group. Amendments to existing sections of the Single Manual may be proposed by any Department, GO, or RDA at any time, on resource or other

grounds. Consequently the Manual is likely to need regular revision. As it is intended to make the Manual a "living document" it is available on the Internet to facilitate easy updating.

1.1.6 The main forum for discussion of the Manual is the Structural Funds Manual Steering Group. This is chaired by DTI, but includes representatives from relevant English Departments, GOs, RDAs, the Department of Finance and Personnel, Northern Ireland (DFP/NI), the Scottish Executive and the National Assembly for Wales.

1.1.7 The Manual Steering Group works by consensus. Points on which agreement cannot be reached, which will normally only be those involving contentious policy or resource issues, are referred to the appropriate policy Group. This will normally be the Practitioners' meeting - the Structural Funds Group chaired by DTI and ODPM, which comprises Structural Funds Departments and the GOs.

1.1.8 There are some useful European Commission websites operated by the various Directorate-Generals (DG) that give further details on the various European Structural Funds:

European Regional Development Fund (DG Regio)

http://europa.eu.int/comm/regional_policy/index_en.htm

European Social Fund (DG Employment and Social Affairs)

http://www.europa.eu.int/comm/employment_social/index_en.htm

European Agriculture Guidance and Guarantee Fund (DG Agriculture)

http://europa.eu.int/comm/agriculture/index_en.htm

Financial Instrument for Fisheries Guidance (DG Fisheries)

http://europa.eu.int/comm/dgs/fisheries/index_en.htm

1.2 WHAT ARE THE EU STRUCTURAL FUNDS

1.2.1 There are 4 Structural Funds:

- a) the European Regional Development Fund (ERDF);
- b) the European Social Fund (ESF);
- c) the European Agricultural Guidance and Guarantee Fund (EAGGF);
- d) the Financial Instrument for Fisheries Guidance (FIFG)

1.2.2 The Funds contribute to the attainment of the following priority Objectives :

Objective 1 (ERDF, ESF, EAGGF & FIFG) Promoting the development and structural adjustment of regions whose development is lagging behind; *the Objective 1 regions are West Wales and the Valleys, Cornwall, Merseyside and South Yorkshire.*

In addition, there are Objective 1 transitional programmes for the Highlands and Islands of Scotland and for Northern Ireland as well as a special PEACE programme for Northern Ireland.

Objective 2 (ERDF & ESF) Supporting the economic and social conversion of areas facing structural difficulties.

Objective 3 (ESF) Supporting the adaptation and modernisation of policies and systems of education, training and employment. This Objective provides financial assistance outside the regions covered by Objective 1 and a policy frame of reference for all measures to promote human resources in a national territory without prejudice to the specific features of each region.

In pursuing these Objectives, the Community aims to contribute to the harmonious, balanced and sustainable development of economic activities; the development of employment and human resources; the protection and improvement of the environment; the elimination of inequalities, and the promotion of equality between men and women.

1.2.3 Funding under Objective 3 is in principle available throughout the European Union. Funding under the other Objectives is limited to designated areas. See Community Initiatives (Section 1.3), for an exception to this.

1.2.4 The European Regional Development Fund (ERDF) provides support for Objectives 1 and 2. In particular, it can provide support for:

- a) productive investment;
- b) the creation or modernisation of infrastructure which contribute to the development or conversion of the regions concerned;
- c) measures to exploit the potential for internally generated development of the regions concerned;
- d) investment in the field of education and health in Objective 1 regions.

1.2.5 The European Social Fund (ESF) has the prime role of providing support for Objective 3, but also assists in Objectives 1 and 2. In general terms, grant can be provided for training and training systems for:

- a) Objective 3
 - i) to reduce long term unemployment through the use of active labour market measures and assist the unemployed and economically inactive into employment. To reduce the flows into long term unemployment through the use of active labour market measures targeted at those recently unemployed or about to become unemployed;
 - ii) to reduce the impact of disadvantage faced by excluded groups and support their integration into the labour market;
 - iii) to widen the participation in lifelong learning so that more people continue throughout their lives to develop their knowledge, skills and understanding and improve their employability in a changing labour market;
 - iv) to improve the skills base and adaptability of the employed labour force and to increase the level of entrepreneurship;
 - v) to reduce the level of disadvantage faced by women in the labour market.
- b) Objectives 1 and 2
 - i) support for employment growth and stability.
 - ii) boosting human potential in research, science and technology; and
- c) Also in Objective 1
 - i) strengthening and improvement of education and training systems
 - ii) development through the training of public officials.

1.2.6 The European Agricultural Guidance and Guarantee Fund (EAGGF) Guidance Section contributes to the speeding up of the adjustment of agricultural structures and the development of the less developed and rural areas within Objective 1. In Objectives 2 and 3, the Rural Development Regulation applies.

1.2.7 The Financial Instrument For Fisheries Guidance (FIFG), which is available both to Objective 1 areas and those areas outside Objective 1,

contributes to the improvement of the position of the fisheries sector and the processing and marketing of their products.

1.3 COMMUNITY INITIATIVES

1.3.1 The Commission has a number of Community Initiatives which set out measures of significant interest to the Community where Structural Funds can be used. Member States are required to submit programmes to the Commission for approval. Although they are covered by the principles of the Structural Funds Objectives, they are not necessarily limited to the designated areas.

1.3.2 A summary of the Community Initiatives follows:

- **Interreg III** is designed to encourage cross-border and trans-national co-operation in Community Member States.
- **Urban II** promotes sustainable urban development and city regeneration.
- **Equal** intends to combat inequalities and discrimination in the labour market.
- **Leader+** plans to develop rural areas.

1.4 SINGLE PROGRAMMING DOCUMENTS (SPD's)

1.4.1 Each region, whether in England, Scotland, Wales or Northern Ireland, has a series of SPDs for each Objective in each region. SPDs set out the amounts of funding available to individual areas from each of the Funds, and the purposes and conditions under which this can be spent. In the UK, there are four Objective 1 SPDs, (in addition there are transitional programmes for the Highlands and Islands and for Northern Ireland, each requiring SPDs), one for each Objective 2 and Objective 3. There is one of each in the programme for Wales. There is also 1 UK wide ESF Objective 3 SPD and an *[EAGGF financing plan/Rural Development Plan operating outside Objective 1 areas and financed from EAGGF funding]*. The SPDs are based on plans prepared with the involvement of regional and local partners, by the appropriate regional or national authority and submitted to the Commission by the member state government.

1.4.2 As SPDs reflect the problems specific to their own area, consequently, each SPD is unique. However, all SPDs form the basis for approval of funding applications by the Programme Monitoring Committee (PMC). SPDs within the same Objective will have similar conditions for grant, known as

horizontal provisions. Some of the conditions within the SPDs also reflect criteria agreed for the UK as a whole and/or Commission concerns which will affect a range of SPDs. Many of the detailed requirements will therefore be common to all or most areas. It should be noted that the basic criteria for Structural Funds support is set out in the relevant Community Regulations.

1.5 THE ADMINISTRATIVE FRAMEWORK

1.5.1 The UK managing authorities for the Structural Funds are Government Departments which are responsible for issuing offer letters and ensuring that appropriate Departmental financial requirements are met. All grant decisions are taken by the PMC or sub-committee, i.e. by the partnership, based on the recommendations of the Secretariat. Accountable Bodies also make grant decisions and issue offer letters to projects within agreed delegation levels. The exception to this is in programmes, where the Action Plan process is operated.

1.5.2 DTI has overall responsibility for the Structural Funds throughout the UK. The appropriate national Departments lead for Programmes in their area: for Northern Ireland the DFP/NI, for Wales the National Assembly for Wales and for Scotland the Scottish Executive. ODPM has overall responsibility for administration of Single Programmes by Government Offices in England. DEFRA lead in England on EAGGF and DWP lead on the ESF. Although ODPM are the main source of advice for English Government Offices on ERDF matters, offers of grant are made by GO's and where appropriate, Action Plan accountable bodies, on behalf of a range of Departments.

1.5.3 Applications are assessed by Secretariats, (Executives in Scotland). The Secretariats are part of a GO or Department except in Scotland, where the Executives are independent. However, the Scottish Executive remains responsible for the approval of offers. In April 2000, the National Assembly for Wales set up the Welsh European Funding Office (WEFO) as an Executive Agency. WEFO is now part of the Welsh Assembly Government's Economic Development and Transport Group.

1.5.4 Within SPDs, Monitoring Committees are given the role of monitoring the performance of the Programme. They agree selection criteria against which project applications are assessed. Priority considerations will normally include job creation, value for money, leverage of extra investment, synergy with other schemes and demonstrate a positive environmental impact. Additionally, they may give their opinion on larger applications, (normally 5 m euros) or over. They are regularly notified by the Secretariat of both approved and disapproved applications and informed of the general progress of the expenditure and outputs from projects. They do not decide whether grant should be paid when claims are subsequently made.

1.5.5 Monitoring Committees are chaired by a Government Official, but include regional and local partners such as local authorities, TECs, Business Links, RDAs and NGOs such as the private and voluntary sectors. The European Commission may send a representative who may scrutinise any document which may concern the Commission, (e.g. plans affecting Natura 2000 sites), and act in an advisory capacity to the managing authority.

1.5.6 Monitoring Committees do not advise on projects generally. However, in some cases, Working Groups have been set up with a membership the same as or similar to the Committee. These may advise on individual projects, although it remains the responsibility of the PMC to approve projects.

1.6 THE EUROPEAN FRAMEWORK

1.6.1 The Directorate-General for Regional Policy (DG Regio) is the department of the European Commission that has a fundamental, but not exclusive, role in dealing with Structural Funds. Initially DG Regio approves the selection of Objective areas, followed by the SPDs. The Commission also has to provide specific authorisation for some projects: examples include. major projects, normally supported by ERDF, and applications requiring state aid approval.

1.6.2 The Structural Funds are a specific requirement within the Community Treaties. However, the detailed framework for the Funds is set out in more detailed Community legislation - the "Regulations". A list of the main regulations is given in Annex B.

1.6.3 All Structural Funds commitments and payments are made in euros. As the UK does not have the euro as its national currency, it is necessary to convert expenditure incurred in pounds sterling at the prevailing exchange rate in accordance with the implementation provisions.

1.6.4 Further information on the Structural Funds is also available on D.G.Regio's website on:

http://www.europa.eu.int/comm/regional_policy/index_en.htm