



## Programme commitment rises by £15 million

Welcome to the second edition of 'In Focus'.

The last few months have been a busy time for the Project Management Executive. Six committees in eight months, the associated Advisory Groups, completion of the Annual Review Document and the Annual Implementation Report for 2003 have made for a hectic schedule. The culmination of all this activity was the Programme Management Committee back in June.

With the revision of financial tables, activity on expenditure levels and an extensive monitoring programme all now under our belt, the result has been a significant increase in the level of commitment across the Programme by some £15 million and expenditure on projects contributing towards our annual financial targets.

As we enter the forthcoming bidding cycle (deadline 2 September) we are particularly keen to encourage projects in the renewables and waste management sectors. It is also important that we continue to develop the Social Fund programme and through effective collaboration between partners, that we see an increasing level of interest in entrepreneurship (see page 7 for further details on this Measure).

As ever, we would like to encourage everyone to submit claims regularly and on time. Our financial expenditure targets for 2004 are extremely challenging and all the stops need to be pulled out if we are to meet these. The consequences of any failure to do this - particularly with post 2006 discussions imminent - don't bear thinking about. If in doubt, please get a claim into the PME and pay particular attention to the contents of the Action Plan on page 3.

In the meantime, I would like to express my personal thanks to our European Commission Desk Officer, Fernando Criado Alonso, who has moved job. Fernando has been a good friend to the Highlands and Islands in the past four years. You can find out more about him and his replacement on page 2.

DENNIS MALONE  
CHIEF EXECUTIVE



# European Commission desk officers

## Spotlight: Fernando Criado Alonso

Support from the desk officers in Brussels is very important to the smooth operation of the Programme. Until 1st July 2004, Fernando Criado Alonso was the desk officer for the Highlands and Islands and was involved in the negotiation and approval of programme documentation, reviewing implementation, attending PManC's, dealing with payments and N+2.

Fernando was always keen to explore the region and has toured with his family on the west coast of the Highlands and Islands. A keen La Deportivo Coruña football fan, Fernando also follows the successes of Inverness Caledonian Thistle.

He said: "It has been interesting helping to establish viable and vibrant communities in the Highlands and Islands. It is a beautiful place and I shall be interested to see how it develops in the future."

Fernando is being replaced by Rachel Lancry - a UK/Dutch national who has studied and worked in Egypt, Syria, Israel and the West Bank. She joined DG Regional Policy in the European Commission in 2001 as ERDF desk officer for the three Scottish Objective 2 Programmes. She is married with two children.

Rachel said: "Ensuring the Programme achieves its objectives and expenditure targets is a prime part of my responsibilities. I look forward to building up a positive relationship with the Programme Partnership."

# Post 2006 update

Although it is early days to make any definite assumptions, there are reasons to be optimistic about the level of European funding the Highlands and Islands may benefit from after the current Programme ends in 2006.

A recently published official European Commission report reaffirmed earlier recognition of the special circumstances of islands, mountains and sparsely populated areas, described as areas with severe geographical or natural handicap.

The report advocates that Member States make special provision for such areas within their Programmes and proposes that in these areas, the rate of European funding contribution might be increased. This is not qualified, but increases of 4-7% have been discussed.

Recently published GDP statistics, which measure the comparative wealth of Europe's regions, have disclosed that the Highlands and Islands economy stands at less than 75% of the European average before enlargement. This is likely to entitle us to a special programme of funding starting at 85% of the full Objective 1 rate in 2007 declining to 60% by 2013.

This means if the economic circumstances do not change significantly over the next two years, we can expect to benefit from a European funding programme that is roughly comparable to the current Transitional Programme. All of this is contingent on approval by the European Parliament and Council of Ministers sometime in 2005 or the first half of 2006.

At the time of going to press, a draft rural development regulation governing the Commission's proposals for rural development funding – the 'second pillar' of the Common Agricultural Policy – will be published. Indications are that this finance – including an increase in spending on off-farm initiatives such as village development and micro business support – will be delivered on a regional basis.

This means it may be possible for the special circumstances of the Highlands and Islands to be recognised with enhanced funding, which would be significantly above the funding we might otherwise expect.

## New money for regional innovation

The European Commission has approved a new ERDF support programme called The Scottish Innovative Actions Programme to engage the public and private sectors in a new Scotland-wide partnership to create an innovative and competitive Scotland. An award of 3 million Euros was made to help fund projects that focus on stimulating and supporting business innovation through a small number of highly significant pilot projects.

Full details about the programme can be found on the web-site [www.scottishinnovativeactions.co.uk](http://www.scottishinnovativeactions.co.uk) and for further information you can also contact [Derek.Gallagher@wsep.co.uk](mailto:Derek.Gallagher@wsep.co.uk), tel 0141 572 4422.

# N+2 Action Plan 2004-2006

A new action plan to tackle the N+2 targets was approved in July 2004. These targets, set by the European Commission, require the Programme to have expended (calculated from submitted claims) each year's allocation by the end of the following two years.

Whilst the ESF target has been met, the other Funds are facing more of a challenge. Currently, the Programme is £5 million short of its ERDF target with many projects behind schedule. To encourage expenditure the Programme Management and Monitoring Committees have agreed an N+2 Action Plan with both short and long term measures:

## Short Term Measures

- 1 Strong presumption against re-profiling or further re-profiling of planned expenditure on any capital or revenue project (although cases with exceptional circumstances to be more positively considered);
- 1 Partial de-commitment of revenue schemes which have experienced major slippages in forecast expenditure and which, following brief review by the PME and the project sponsor, do not think that the full allocation will be utilised timeously. (Any planned 2004 expenditure not to be de-committed). Recycling of underspends back to Measure;
- 1 Quarterly submissions (or, where appropriate, final claims) of claims on all current projects – no exceptions. More regular submissions to be encouraged if this assists project management;
- 1 Partners to review internal procedures to ensure regularity of claim submissions;
- 1 PME to provide monthly updates at local area level for use by officials to target "laggards"; and
- 1 Series of meetings to be held between the PME and major project sponsors to ensure accelerated cash drawdown to allow N+2 on ERDF to be met, highlighting projects with slower than expected spend. Meetings to take place as soon as possible."

## Longer Term Measures

- 1 In recognition of the commitment profile within the Programme, Advisory Groups should be willing to consider higher intervention rates where justified and where possible within the SPD financial plans; and should only consider reducing requested intervention rates where there is clear evidence that additionality needs to be tested."
- 1 Trawl for future demand from major project sponsors to ensure the Programme can react effectively to requests in the future - consider Virement proposals as soon as possible thereafter (Priority 2 already recommended for review);
- 1 Consider establishment of sector specific "key funds" e.g. renewables and community development. Allowing fund to be created with co-finance in situ allowing it to be treated as expenditure;
- 1 Careful consideration of increased grant/rates for projects experiencing increased costs;
- 1 Use of commissioning to be developed further especially for ESF but also for ERDF Measures with small sums of money;
- 1 The PManC to give consideration to all applications having to include a firm start date, this should be within 6 months of the date of the approving PManC meeting, after which there would be immediate de-commitment (unless otherwise agreed by the PManC in exceptional circumstances).
- 1 Open all ERDF measures for the September 2004 bidding round;

The PME is urging sponsors to submit claims more regularly and for projects to keep to profile, if not then the Programme could be facing decommitment of funding at the end of 2004. Please ensure all efforts are made to progress projects and keep in touch with the PME if there are any concerns.

# Argyll B & B's get welcome boost

John Rowan was one of many bed and breakfast operators in Argyll to benefit from a £10,990 ESF project run by Argyll College to help B & B's acquire new skills.

Mr Rowan, a retired chemical industry manager operates his B & B in Ardnadam, Dunoon. He said: *"The course focussed heavily on customer service and how to provide a high quality experience to visitors. This is critical to the viability and sustainability of B & B's."*

*"We covered everything from service, reception and housekeeping skills to elementary hygiene, health and safety and information technology."*

*"Argyll College used tutors with relevant tourism experience and I managed to attend most of the course locally in Dunoon. Meeting other B & B operators during the course was also helpful as it was good to share different experiences."*

*"The course emphasised the benefits of using local produce and it also gave some useful tips on how to make my business more economical and efficient. Overall I feel my business will benefit from this course for years to come."*

On completion of the course, all attendees receive a college certificate as well as the REHIS Elementary Food Hygiene certificate.

# Road upgrade is miles better

Businesses in Gairloch, Shieldaig and Kinlochewe in Wester Ross are reaping the benefits of a £710,000 contribution from ERDF to upgrade 5.8 km of the A832 Achnasheen to Kinlochewe road.

Murdo MacKenzie, a partner in local transport provider Westerbus, said the upgrade from single to double track had made a major difference to travel times and safety.

*"More people are using our service, particularly during the summer. This would seem to indicate the shorter travel times are making the area more attractive for visitors. I'm sure this has a knock on effect to other businesses like shops and accommodation providers too."*

The new carriageway, which makes provision for edge running lanes for cyclists and an underpass for safe movement of livestock, is helping to encourage existing businesses to expand as overheads are reduced.

It is also hoped the road will help make the area more competitive, particularly in attracting office based technologies.



# Graduate skills for Lochaber businesses

Aelish O'Rourke is on a graduate placement with Crannog Concept Ltd who has various business interests in the Lochaber area including a sea-food restaurant, cruise boat and smokehouse.

She was taken on as a Marketing Officer under the Lochaber Enterprise Graduate Placement Programme which received £45,687 of ESF funding.

Lochaber businesses find it difficult to fill vacancies compared to other parts of the

country - a fact which a recent survey of the local labour market confirms. The report also identified that high staff turnover, and lower staff morale than average, has a major financial impact on local businesses in the area.

Aelish, a graduate of the University of Glasgow, said: *"Following my graduation, I wanted to come back to my native Fort William, but found it pretty much impossible to get a local job that suited*

*my skills and experience."*

*"The Graduate Placement Programme has helped marry my skills with the skills required at Crannog. I have gained practical work experience in the fields of market research, sales and marketing strategy, whilst the company receives assistance towards some of my wages and training costs. The whole experience has been brilliant."*

# Focus on fishing

With the fishing sector currently facing many challenges, the Financial Instrument for Fisheries Guidance (FIFG) fund is helping to restructure the sector and lay firm foundations for a more sustainable future.

The programme is delivered by the Scottish Executive Environment and Rural Affairs Department (SEERAD). From modernising fishing vessels, improving facilities at fishing ports and developing processing facilities, to diversifying finfish aquaculture and increasing shellfish production, the assistance is wide ranging.

Adding value and improving efficiency are the common threads running through how the fishing industry can be assisted through this £18 million fund.

The Highlands and Islands Fisheries Management Group support and advise SEERAD in delivering the programme. The

group consists of representatives from the local fisheries sector, councils and the enterprise network.

Application forms and guidance notes are available at [www.scotland.gov.uk/fisheries/fifg](http://www.scotland.gov.uk/fisheries/fifg)

Contacts for the Processing and Marketing Scheme:

Elaine McGregor on 0131 244 6272 or email

[Elaine.McGregor@scotland.gsi.gov.uk](mailto:Elaine.McGregor@scotland.gsi.gov.uk)

Kirsten Buckler on 0131 244 6253 or email

[Kirsten.Buckler@scotland.gsi.gov.uk](mailto:Kirsten.Buckler@scotland.gsi.gov.uk)

To discuss all other projects or for assistance in completing an application form contact:

Jim Barbour on 0131 244 6063 or email

[Jim.Barbour@scotland.gsi.gov.uk](mailto:Jim.Barbour@scotland.gsi.gov.uk)

Richard Combe on 0131 244 6089 or email

[Richard.Combe@scotland.gsi.gov.uk](mailto:Richard.Combe@scotland.gsi.gov.uk)

## £1 Million investment for Scrabster

Income and jobs have been protected at Scrabster thanks to an FIFG Processing and Marketing Grant of £200,000.

Scrabster Seafoods – a long established white fish merchant – has invested £1 million in a new building, coldstore and processing and packaging equipment in the north of Scotland.

William Calder, Managing Director of Scrabster Seafoods, said: *"We wanted to capture a larger share of the market by becoming more competitive. Rather than send fish to another part of the country to be weighed and graded, we can now do this here in Scrabster with our new facilities. This has helped reduce our overheads and protect and create jobs for local people.*

*"The new development allows us to trace*

## Marine development hatched



Nufish Ltd from Sandwick in Shetland received FIFG assistance to establish a new commercial marine hatchery for the production of juvenile cod.

Director of Nufish, Peter Tarrant, explained: *"The market for cod in the UK is substantial and it is a species that is known world-wide, which presents cod farmers with the potential of international marketing opportunities.*

*the fish back to their natural origins which is becoming increasingly important as a mark of quality. Packaging the finished product to individual customer requirements is another important feature which helps us add value."*

*"We are one of only two commercial cod hatcheries in Scotland and our facilities complement and build upon the earlier research activities of the North Atlantic Fisheries College."*

By guaranteeing a local supply of juvenile cod, Nufish is also reinforcing the efforts of other Shetland based fish farms to attract much needed external investment to diversify away from the overly strong dependency on salmon farming in the islands.

Peter added: *"By using our experience with other marine species, we have been able to ensure an efficient, well designed hatchery facility incorporating the latest technology. Now that the new facility is fully operational, it has created 12 jobs, many of which are highly skilled. This helps retain graduates in the local economy."*

Demand under the Processing and Marketing Scheme is proving high with 70% of its resources now committed to value added activity in the Highlands and Islands.



# Cultural connections

## Arts Centres make major impact on Island communities

From prehistoric archaeological sites to contemporary arts and music festivals, the Highlands and Islands boasts a rich economic asset in its cultural heritage.

HISTP has reached into many communities in the area to help them realise the economic potential that cultural assets can provide. Assistance through the Programme to develop large scale arts facilities in strategic island locations encourage visitors to venture into these more isolated parts of the region as well as helping to extend the tourist season there.

These gateway centres boost the profile of island populations as cultural tourism destinations and improve community confidence at the same time.

One such centre – The Pier Arts Centre in Stromness, Orkney – received £701,281 of ERDF to regenerate nearly 750 sq m of redundant harbour buildings into a contemporary exhibition and gallery space. Traditional arts and crafts will play a prominent role in the collections at the centre along with education and arts development resources.

In Stornoway in the Western Isles, the An Lanntair Arts Centre involves construction of a multi purpose gallery, exhibition, education and performance space over three floors. The arts centre which secured £802,401 of ERDF aims to provide a wet weather facility in its town centre location. With language featuring strongly, it will also act as an incubator for growing and commercialising local arts and culture businesses.

## Gaelic to genealogy

A number of projects are being assisted through HISTP to support and promote the Gaelic language, its economy and genealogy tourism.

Gaelic archives, for example, are being digitised with help from ERDF as are new Gaelic college facilities in Skye and Islay. On the other hand, the Gaelic Television Trust secured ESF assistance to train young people in technical and creative skills linked to the Gaelic media industry. Community groups throughout the region are also using CED funds on small scale Gaelic initiatives like the Feis movement.

## Future cultural funding

From the first approved HISTP ERDF project to help the Achilltibuie Piping School expand to more recent developments like the archaeological site at Old Scatness Broch on Shetland, culture will continue to offer a range of long term opportunities to develop the region. Partners are therefore encouraged to discuss their projects as early as possible.

# Commitment Table

The following table indicates the current levels of commitment within the ERDF, ESF and third party EAGGF measures open for the September bidding round. The allocations remaining are based on the recommendations submitted to the European Commission on which a decision is awaited.

Measure	Rec'd Revised Allocation (£ms)	Commitment (£ms) July 2004	Balance Remaining £ms (dependent on approval of revised allocations)
1.1: Enhance marketing, advisory and support services to existing and new businesses	1.8527	1.7163	0.1364
1.2: Stimulate private sector investment in existing and new businesses	24.8333	19.4666	5.3667
1.3: Support development of innovation and R&D, including industry-academic links	5.1180	3.3699	1.7481
1.4: Overcoming market failure in the provision of serviced sites and premises for Business	18.1760	17.4009	0.7751
<b>Total Priority 1</b>	<b>49.9800</b>	<b>41.9537</b>	<b>8.0263</b>
2.1: Strategic investments in communications infrastructure	40.4327	20.9855	19.4472
2.2: Improving Regional Competitiveness through developing the Information Society	8.6673	5.2323	3.4350
2.3: Improve the provision of energy networks, energy efficiency and the sustainable exploitation of renewable energy potential	4.8947	0.4110	4.4837
2.4: Waste Management, water and sewerage provision and pollution control	7.2987	3.0862	4.2125
2.5: Community and Social Infrastructure	9.4153	9.0759	0.3394
<b>Total Priority 2</b>	<b>70.7087</b>	<b>38.7909</b>	<b>31.9178</b>
3.1: Active Labour Market Policies to Fight Unemployment	12.1387	8.9715	3.1672
3.2: Promoting Social Inclusion	8.1853	4.7601	3.4252
3.3: Lifelong Learning	3.8727	2.5876	1.2851
3.4: Developing Adaptability and Entrepreneurship	12.9570	7.9025	5.0545
3.5: Increase participation of Women in the Labour Market and address gender imbalances within the Labour Market	3.3020	2.2431	1.0589
<b>Total Priority 3</b>	<b>40.4557</b>	<b>26.4648</b>	<b>13.9909</b>
4 (a) 3(ii) : Enhancement and Maintenance of the Environment and Rural Heritage	6.5180	4.7304	1.7876
4 (a) 4 : Forestry Development	1.4820	1.1156	0.3664
<b>Total Priority 4 (third party Measures)</b>	<b>8.0000</b>	<b>5.8460</b>	<b>2.1540</b>

## ESF priorities for 2005

All five ESF measures are open for applications during the September bidding round.

Measures 3.2 (Promoting Social Exclusion) and 3.4 (Developing Adaptability and Entrepreneurship) have received additional funding from the Programme's Performance Reserve.

Priority for funding under measure 3.2 will be given to projects that tackle exclusion from the labour market and training of disadvantaged groups. This includes assistance towards those requiring basic

literacy and numeracy skills. Support may also be provided to develop social firms.

Under measure 3.4 innovative applications that address the needs of businesses and entrepreneurs are encouraged. Success stories under this measure in the past include Feisean nan Gaidheal's training programme for traditional music tutors and the work by the Scottish Bakery Training Council in developing skills within their industry.

The focus for the future will remain on enhancing higher level skills, training of

trainers, support for SME's and the promotion of environmental awareness and management skills.

ESF priorities within the other three measures remain as set out in the Programme Complement. All projects - especially longer running ones - should ensure an exit strategy from ESF is explicit within their application. Equal opportunities and sustainable development themes must also be addressed, as they will be reflected in the appraisal of projects.

# Mainstreaming equal opportunities

Partners are being encouraged to think about how to make their projects more accessible and inclusive to a wider range of people and communities, thanks to a recently published Equal Opportunities Good Practice Guide.

The guide encourages partners to find ways of breaking down the barriers to training, education and employment which groups and individuals often encounter. By using practical examples and exchanging good practice, the manual shows how equal opportunities can be built into projects from design through to final delivery and evaluation.

Muriel Mackenzie, an Equal Opportunities Advisor for the five European structural funds Programmes in Scotland, has produced the guide. She provides support and advice on identifying good practice, monitoring and training for programme staff on equal opportunities issues and how these can be built into projects.

Case studies are taken from the five structural funds Programmes and the four community initiatives. Contact details for each are provided to encourage further discussion and exchange of information between projects.

The guide is available as a hard copy and in electronic format. Muriel is keen to speak to partners who would like to add

examples of good practice to build up a bank of case studies for the electronic version. **Contact her on 01383 622537 or email [mackenziem@esep.co.uk](mailto:mackenziem@esep.co.uk)**

The Good Practice Guide provides equal opportunities advice and support covering a range of project types which include:

- 1 **Business start-up and Business growth**
- 1 **Community economic development**
- 1 **Research and development**
- 1 **Rural development**
- 1 **Sites and premises and infrastructure**
- 1 **Tourism**
- 1 **Training for employed people**
- 1 **Training for non-employed people**
- 1 **Urban Development**

For those interested the full listing of project approvals is contained in the Annual Implementation Report, the most recent version of which is available on our website.

## KEY DATES

**02 September 2004**      **Application deadline**

**27 October 2004**      **PManC**

**08 December 2004**      **PManC**

**25 May 2005**      **PManC**

Possible application deadline February 2005, subject to discussion by PManC

## GLOSSARY OF TERMS

ERDF European Regional Development Fund

ESF European Social Fund

EAGGF European Agricultural Guidance and Guarantee Fund

FIFG Financial Instrument for Fisheries Guidance

PManC Programme Management Committee

PMonC Programme Monitoring Committee

HISTP Highlands and Islands Special Transitional Programme

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