

# ASSESSING THE SCALE AND EFFECTIVENESS OF ERDF AND ESF FUNDING

A focus on environmental and rural objectives

September 2019





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## EXECUTIVE SUMMARY

The European Regional Development Fund (ERDF) has played an important role in delivering environmental and rural objectives over the last 20 years. The European Social Fund (ESF) has been important for rural objectives but more limited for environmental ones.

**Estimates generated for this work indicate that approximately €1.6 billion (23%) of committed ERDF funding for the 2007-13 and 2014-20 periods has been allocated to environmental objectives.<sup>1</sup>** A further €8 million (0.3%) of committed ESF funding for the 2014-20 period was allocated directly to environmental priorities (not including cross-cutting themes). This equates to approximately 12% of ERDF and ESF funding committed by these funds over the period.

**Approximately €1.2 billion (17%) of ERDF funding for the 2007-13 and 2014-20 periods had been committed to or spent through providers<sup>2</sup> located in English rural local authorities up to January 2019.<sup>3</sup>** A further €95 million (3%) of ESF funding for the 2014-20 period had been committed to or spent through providers located in these same rural areas up to the end of January 2019.<sup>4</sup> This equates to approximately 10% of ERDF and ESF funding committed or spent by these funds over this period. The distribution of this funding is heavily focused in a subset of rural local authorities, with a large number of rural areas receiving no funding at all. Whilst these estimates are the best that are possible with available data, actual funding to rural areas might be different from the figures reported. In particular, estimates for 2014-20 reflect funding committed to projects up to January 2019 only.<sup>5</sup>

Our work has found that environmental and rural priorities targeted by ERDF and ESF funding are **characterised by market failures<sup>6</sup> that create a clear rationale for government intervention.** There is a **lack of other funding mechanisms** that could be used to tackle these issues at the scale achieved by the ERDF and ESF. **Post Brexit, replacement funds could have a clear role to play in supporting environmental and rural objectives.**

**Prior to this exercise, there was little existing evidence on how effective ERDF and ESF funds have been in delivering environmental and rural**

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<sup>1</sup> As defined by the priority axis to which they are allocated.

<sup>2</sup> Providers are entities which received European Structural and Investment Funds (ESIF) funding and distribute it to beneficiaries. The location of beneficiaries may be different from those of providers. Hence, this figure may not perfectly reflect all funding delivered to beneficiaries in rural areas.

<sup>3</sup> Rural local authorities are defined using the Office for National Statistics (ONS 2011) Rural Urban Classification. These are local authorities which have a significant rural population, with more than 50% of their population residing in rural settings.

<sup>4</sup> Data was not available at a granular enough level to undertake the same process for the 2007-13 ESF funding round.

<sup>5</sup> It is also worth noting that, as of January 2019, providers in Cornwall and the Isles of Scilly have been allocated €170m ERDF funding and €30m ESF funding in 2014-2020 which cannot be used elsewhere in England and which therefore should all be spent in rural local authorities.

<sup>6</sup> Market failures exist when market mechanisms alone cannot achieve economic efficiency. Examples of the causes of market failure include public goods and externalities (for further details see HM Treasury (2018) Green Book, Central Government Guidance on Appraisal and Evaluation, page 14).

**objectives.** Broader evidence, not directly related to the environment or to rural areas, suggests that ERDF and ESF funding across all priorities and areas have led to positive impacts on business performance,<sup>7</sup> innovation and unemployment rates.<sup>8</sup> Using data covering the 2000-13 periods for the whole of the UK and a robust econometric methodology, Di Cataldo and Monastiriotis (2018) concluded that the level of funds allocated to regions had a positive and non-exhaustible effect on growth, suggesting that Cohesion policy interventions are productive irrespective of their scale. This built on previous work by Di Cataldo (2016) which suggested that Cornwall and South Yorkshire performed better than counterfactual comparisons when receiving Objective 1 funding, by achieving lower unemployment rates. South Yorkshire was unable to sustain these gains in 2007-13, after losing Objective 1 status, suggesting that premature withdrawal of funding could affect the performance of subsidised areas.

**This report seeks to fill the clear evidence gap in relation to environmental and rural objectives and to draw out recommendations for the design of future funding directed at these areas, building on the lessons of the past.**

The report draws on a combination of desk-based research; in-depth interviews with project providers and project funders as well as with wider stakeholders (including officials from the Ministry of Housing Communities and Local Government (MHCLG), the Department for Work and Pensions (DWP) and the Department for Environment, Food and Rural Affairs (Defra), officials such as Environmental Sustainability Theme Managers from historic programmes, and academics interested in this area); and two half-day workshops, one focused on environmental and one on rural issues, with over 30 individuals involved with ERDF and ESF funding.

**A rigorous approach to collecting and analysing evidence from the in-depth interviews and workshops was employed** using a theory-based evaluation framework to guide the evidence gathering. However, **there are limitations to the work.** This project did not set out to provide a full evaluation of ERDF and ESF funding directed towards environmental and rural objectives since 2007. Instead, it sought to identify key factors that enhanced or hindered the effectiveness of the funding in delivering environmental and rural goals, with a view to developing recommendations for the design of future funding mechanisms. As the evidence collected is qualitative in nature, the findings reported below state clearly how widely held a particular view was and indicate, where possible, how strongly that view was expressed.

## 1.1 Issues unique to environmental objectives

European funding recognises and **targets clear areas of market failure in relation to local environmental outcomes.**

In the current round (2014-20), funding is being used to promote research and innovation in environmental technologies, the competitiveness of small and medium-sized enterprises (SMEs) (particularly as related to lowering costs associated with carbon), the shift towards a low carbon economy, promoting

<sup>7</sup> Regeneris Consulting (2015).

<sup>8</sup> Di Cataldo (2016).

climate change adaptation, risk prevention and management, preserving and protecting the environment and promoting resource efficiency. In Cornwall and the Isles of Scilly there is also an objective related to sustainable transport.

**The long-term nature of European funding and the consistency of priorities over time** were seen as particularly critical in allowing local environmental projects to come to fruition. A three-year funding lifetime was seen as being the absolute minimum required for this type of environmental project. **The integration and holistic approach to ERDF and ESF funding** in 2014-20 in terms of both relevant priorities and outcomes (e.g. environment, employment etc.) was also **widely viewed as a key enabler** for local areas being able to use the funds to tackle local environmental priorities.

However, there was a widely held view at our workshop on environmental issues that **some of the existing European Structural and Investment Funds (ESIF)<sup>9</sup> environmental priorities would benefit from being refined or re-emphasised to tackle additional important local environmental issues within England:**

- **Promoting natural capital/nature recovery and protecting the environment** – the focus of policy should not simply be on preventing further degeneration of the environment but should shift to enhancing the natural capital of an area, promoting nature recovery and continuing to focus on enhancing biodiversity.
- **Promoting climate change adaptation, risk prevention and management** – there should be a wider interpretation of climate change adaptation beyond the heightened risk of flooding to include issues such as impact on food chains.
- **Supporting the shift towards a low carbon economy in all sectors** – critical here is a widening of the definition of which sectors are included within the funding.

There were also widely held concerns expressed at the workshop that the lack of data on local environmental issues made the role of local ESIF committees very difficult in deciding prioritisation of local environmental issues.

**The rules that govern the use of ERDF and ESF funding create challenges for local environmental projects that future funding mechanisms could and should address.** The reported lack of clarity around possible uses of funds, created uncertainty for stakeholders involved in delivering funded projects that hindered their ability to deliver.

The **cross-cutting theme of environmental sustainability**, to which all projects make a commitment regardless of their focus, should also be retained. Despite not being perfect, the theme was **widely regarded by interviewees and workshop participants as important for targeting local environmental priorities** that would go totally unaddressed in its absence. Workshop participants suggested there could be a case for a *stronger* focus on environmental protection as part of the cross-cutting themes.

There was a widely held view that the environmental cross-cutting theme had shifted some way from a 'box-ticking exercise' to become an important policy priority. This in part reflects the growing size and urgency of the sustainability

<sup>9</sup> ESIF is a collection of funds used to finance development within EU member states. ERDF and ESF are two components of the ESIF. <https://www.gov.uk/european-structural-investment-funds>

agenda at a national and international level. Workshop participants expressed a clear view that **the effective delivery and measurement of the cross-cutting theme was significantly enhanced when there were dedicated environmental staff at a local level**

Local **environmental issues frequently span administrative boundaries**, but delivering environmental projects across Local Enterprise Partnership (LEP) boundaries was widely regarded as challenging because fund administration is handled by individual LEPs.

## 1.2 Issues unique to rural issues

ERDF and ESF funding for projects in rural areas or delivered to rural beneficiaries was widely seen by interviewees and participants in the workshops **as addressing several key rural priorities**. These included enhancing the competitiveness of SMEs, promoting research and innovation and supporting the shift towards a low carbon economy. Workshop participants stressed how, when other funds are allocated in the UK, there is a much stronger focus on return on investment, which can bias the allocations towards urban areas. European funds, in contrast, focus more on need, which is beneficial for many rural areas.

But our workshop highlighted that **participants were consistently concerned that some existing ERDF and ESF priorities were less relevant to rural areas than to urban ones and other important rural priorities such as community development and general workforce skills were not adequately addressed in the current set of funding priorities**.

There was a widely held view by both interviewees and workshop participants that **inconsistent guidance over where rural land and certain rural land-based businesses were eligible for funding** meant that important priorities in rural areas were often neglected and drove a city-centric approach to some aspects of funding.<sup>10</sup>

**LEPs which were conscious of rural issues within their growth strategy were widely regarded by interviewees and workshop participants as essential** in enabling project delivery to be effective across both rural and urban areas. However, there was an apparent majority view at the workshop that the **lack of specific rural targets and the lack of data on rural businesses were key constraints** to effective delivery of rural priorities by LEPs.

A key barrier regarding project delivery in rural areas which was mentioned by all workshop participants **centred on the lack of additional project funding to compensate for higher delivery costs in rural areas**.<sup>11</sup> Project delivery to beneficiaries located in rural areas was hindered due to higher travel costs and rural area sparsity.

<sup>10</sup> This uncertainty stemmed from a lack of clarity from the European Commission (EC) about whether ERDF could be invested in Countryside Stewardship activity in areas where Countryside Stewardship activity was already eligible under the European Agricultural Fund for Rural Development (EAFRD).

<sup>11</sup> There is a sparsity component within the EU funding formula for less developed regions but this issue manifests itself at a sub-regional level such that it is less costly for a provider to serve users in an urban area than it is to serve users in the rural hinterland surrounding that urban area.

## 1.3 Wider issues affecting both environmental and rural objectives

Several issues associated with ERDF and ESF funding across *both* environmental and rural projects were highlighted during our evidence gathering. These are reported below.

### 1.3.1 Ringfenced nature of funding

The **scale of ERDF funding and the ringfenced nature of the allocations<sup>12</sup>** was widely regarded as **significant in being able to achieve projects** in urban and rural areas alike, at a scale and a speed that would not be possible in the fund's absence.

### 1.3.2 Funding claims and clawbacks

**The number one issue raised by interviewees and workshop participants was that the claims process left providers working 'at risk', i.e. without funding for long periods.** This not only affected the perception of the funds and the nature of providers willing to engage with the funding in the first place, but also led to some providers facing financial difficulties due to cash flow issues. Delays in funding or funding claw backs were a common issue among the SME providers we interviewed. Going forward, consideration should be given to how to provide greater certainty in funding for providers or to increase the speed of response to claims to limit the necessity for providers to work at risk. This issue was **felt particularly pertinently by SMEs**. This means that **this issue may be felt more keenly in rural areas** where there tend to be a greater proportion of SME providers.

This issue, in part, appears to stem from the centralised nature of the funding and audit process, which creates a disconnect between the issues faced by providers on the ground and the funding process administered by government.

### 1.3.3 Match funding

The ERDF and ESF requirement that projects get match funding (equivalent funding from an alternative source) was widely regarded by those taking part in our study as critical for getting a sufficient scale of project. But several participants commented that the requirement to secure match funding can skew applications towards projects that tackle issues which have already attracted investment. Participants also commented that it was more difficult to achieve match funding in more developed<sup>13</sup> regions as the size of the match required is larger.

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<sup>12</sup> The allocations are ringfenced according to both thematic objectives and geographies, which means that they cannot be easily redirected for alternative purposes.

<sup>13</sup> This is EU nomenclature for regions which have a relatively higher level of gross domestic product (GDP) per capita as compared to the EU average.

### 1.3.4 The application process

Whilst interviewees and workshop participants **recognise that a rigorous application process is necessary to safeguard public money, the cost of applying was felt by some to be unnecessarily high**. The need for every project to seek external legal advice for state aid issues was one example seen as particularly costly for applicants and where there was potential for significant streamlining. Several participants also expressed concern that the complexities of the application process meant that only providers already familiar with ESIF would be likely to apply, limiting the set of potential providers. The minimum ERDF project size threshold of £500,000 was also seen as a barrier to the voluntary sector and SMEs from taking part unless as part of a consortium.

Local marketing of opportunities is limited and pre-existing knowledge of the application process (or deep pockets) is key to successful applications. This could potentially mean that only organisations with existing knowledge of funding opportunities or with existing projects make applications, with new or smaller providers not taking part.

However, the major concern expressed consistently by interviewees and workshop participants was not the cost of the application process per se, but rather the **elapsed time taken by managing authorities to respond to applications and issue contracts**. Participants consistently referred to the application process taking a minimum of a year, with around a month devoted to writing the application on their side. They referred to the **lack of materiality being employed in terms of approval** and auditing processes, meaning that undue attention was focused on small sums of money across large projects, unnecessarily slowing down approvals. The length of the application process was viewed as adversely affecting the ability of projects to retain matched funding from other sources. The elapsed time between approval and receipt of a formal contract was also viewed as forcing some providers to work at risk as they felt the need to begin delivery prior to the receipt of the final contract.

Some participants suggested that, **in some cases, the lengthy elapsed time was the result of a lack of technical knowledge** of certain relevant areas within managing authorities. e.g. about graphene technology or technical issues relating to large-scale flood infrastructure projects. This can increase the delay for more technical projects and potentially raises the concern that there could be an unconscious bias towards 'softer', easier-to-understand projects. Participants affected by this issue indicated that the reliance on individual managing authority staff (from MHCLG and DWP) developing the relevant knowledge and then not remaining in post was a key factor in delays. They indicated that external peer review could enable faster and more effective approval processes.

### 1.3.5 Knowledge sharing

It was clear that the workshop we convened for participants to discuss European funding matters held substantial value above and beyond providing a mechanism for collecting evidence to inform the results of this project. There are clear success stories about how to use funding to target environmental and rural issues, issues which are likely to be typical across the country. But **there is no existing process**

**or platform for disseminating these lessons between stakeholders across the country.** This runs the substantial risk that every project is treated as new and could fall into the same pitfalls as previous or existing projects in other local areas. Participants indicated that they would value a platform for sharing knowledge of funding and projects across the country. This was felt to be a route to aiding collaboration across administrative boundaries.

### 1.3.6 Technical assistance

The ability to write a clear specification articulating the needs of the Operational Programme for the consumption of potential providers was seen as critical to the quality and relevance of projects coming forward. **Technical assistance<sup>14</sup> funds available to finance the preparatory, management, monitoring, evaluation, information and control activities of the Operational Programme, together with activities to reinforce the administrative capacity for implementing the funds at national and regional levels were seen as critical.** Consideration should be given to maintaining this type of assistance in any future domestic programme.

### 1.3.7 Funding for quality assurance and training

Many European projects focus on providing advice to SMEs or individuals. This can range from advising businesses about how to reduce their carbon footprint to providing support for individuals that are at a distance from the labour market. **Participants were clear that recruiting and retaining knowledgeable staff able to engage effectively with businesses was critical to project success, but that there was a limited pool of such individuals on which to draw.**

**The short-term nature of the contracts on offer to these advisors makes recruiting and retaining high quality staff extremely difficult.** This can lead to a sense that there is no passing of knowledge and experience gained from one set of advisors to another. Project providers highlighted that they were uncertain about including claims for funding to ensure quality assurance and training of business advisors as they were concerned about it being clawed back. This has implications for the project to deliver high quality advice that is lasting and brings about behavioural change rather than one-off box-ticking exercises from beneficiaries.

## 1.4 Lessons flowing from the review

A number of clear lessons for future funding mechanisms flow from our work:

1. It is important that any future mainstream development **funding continues to include a focus on local environmental and rural issues, reflecting the enduring market failures that characterise both.** The current priorities reflect key local environmental issues and some pertinent rural issues.

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<sup>14</sup> Technical assistance is a ringfenced pot of money within ERDF and ESF dedicated to providing technical assistance activities.

2. The complexity of the application process makes it challenging for new potential providers to access the funding. In general, successful applicants tend to be those already familiar with the ESIF application processes.
3. Cross-cutting themes play an important role in delivering local environmental goals. **It makes sense to retain these themes but to consider strengthening the focus on environmental protection within the themes.**
4. **Delivery of cross-cutting themes could be enhanced by ensuring dedicated local environmental staff** are available to promote environmental objectives and translate them into projects.
5. **Promoting nature recovery and enhancing the environment should be considered for inclusion** as priorities in future funding mechanisms.
6. Other existing environmental objectives should be refined to reflect current widespread local concerns:
  - a. **Widening the interpretation of climate change adaptation** beyond the heightened risk of flooding, to provide support for all necessary adaptation measures.
  - b. **Widening the definition of which sectors** are included within the objective to support the shift towards a **low carbon economy**.
7. Consideration should be given to how to **better support projects that span administrative boundaries.**
8. Consideration should be given to whether **priorities related to community development and general workforce skills tailored to a rural context** should be included within any future funding mechanism. These were found to be of relevance to many rural areas.
9. Consideration should be given to **recognising the higher cost of achieving the same objective in rural areas.** Funding should either consider explicit recognition of these challenges or should enhance incentives for providers to target the most suitable beneficiaries for funding rather than the cheapest to reach, which tends to focus efforts on urban areas.
10. Current minimum funding thresholds restrict the type of projects that can be supported. Any future fund should **set its minimum funding thresholds at a level that ensures more locally relevant projects can be supported.**
11. Consideration should be given to **enhancing local knowledge and marketing of ERDF and ESF project opportunities** to avoid a biased range of applications from organisations with pre-existing knowledge of the process rather than from new or smaller providers.
12. Consideration should be given to **potential issues with obtaining match funding** for organisations in more developed areas or for projects which require a large amount of match funding.
13. Consideration should be given to how to either **provide greater certainty in future funding for providers or to increase the speed of response to claims** to limit the necessity for providers to work at risk. Devolving funding to local areas could allow more direct oversight and ongoing audit, which would reduce the need for unexpected claw backs or delays in approvals.
14. Consideration should be given to **whether there are ways of streamlining some aspects of the application process**, for example the need for state aid

legal advice or for repeated submissions of the same set of information about the project.

15. Consideration should be given to whether future funding mechanisms could **devolve funding to allow more direct oversight and ongoing audit**, to reduce the need for unexpected claw backs or delays in granting funding.
16. Consideration should be given to providing **more clarity** to project providers involved in managing ERDF/ESF-funded projects **on rules regarding geographical and sector demarcation**.
17. Consideration should be given to **different processes for reviewing technical project applications**. Greater use of peer review mechanisms and bringing in of external expertise could be one possible option.
18. Consideration should be given to **creating a platform for sharing knowledge of funding and projects** across the country. This could have the additional benefit of making it easier to share ideas for projects that cut across administrative boundaries.
19. Consideration should be given to **whether funding and claiming rules are allowing for high quality advisors to be retained** in such a way that the impact of projects is more lasting.

## 2 INTRODUCTION

This chapter provides a brief overview of the European Regional Development Fund (ERDF) and European Social Fund (ESF). It also sets out the purpose of this report. It is intended as a brief recap for those readers already familiar with European funding. For those readers, requiring more detail, please refer to Annex A.

### 2.1 The European Regional Development Fund and European Social Fund

The ERDF and the ESF are key funding instruments of EU Cohesion policy. Together with the European Agricultural Fund for Rural Development (EAFRD), the Cohesion Fund (CF) and the European Maritime and Fisheries Fund (EMFF), ERDF and ESF constitute the European Structural and Investment Funds (ESIF). These funds are designed to strengthen cohesion across the EU. Common to all ESIF Funds, both ERDF and ESF require co-financing, meaning that their use is contingent on drawing on other investment from either public or private sources.

ERDF is specifically focused on investment to support economic growth and job creation, with the aim of reducing regional economic disparities within the EU.<sup>15</sup> In the most recent funding round, 2014-20, ERDF policy in England is designed to support eight of the eleven thematic objectives set out in European Cohesion policy<sup>16</sup>:

- promoting research and innovation;
- enhancing access to, and use and quality of, information and communication technologies (ICT);
- enhancing the competitiveness of small and medium-sized enterprises (SMEs);
- supporting the shift towards a low carbon economy in all sectors;
- promoting climate change adaptation, risk prevention and management;
- preserving and protecting the environment and promoting resource efficiency;
- sustainable transport in Cornwall and the Isles of Scilly; and
- promoting social inclusion and combating poverty and any discrimination, and providing support.

ESF is focused on investment in people, in particular improving employment and education opportunities across the EU. It aims to help disadvantaged people at risk of poverty or social exclusion.<sup>17</sup> In the current funding round in England, 2014-20, the ESF is programmed against three thematic objectives. They are:<sup>18</sup>

- promoting sustainable and quality employment and supporting labour mobility;

<sup>15</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/772819/190121\\_ERDF\\_OP.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/772819/190121_ERDF_OP.pdf)

<sup>16</sup> Set out in the Common Provisions Regulation for the European Structural Funds, Regulation 1303 (2013)

<sup>17</sup> [https://ec.europa.eu/regional\\_policy/en/funding/social-fund/](https://ec.europa.eu/regional_policy/en/funding/social-fund/)

<sup>18</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/750497/ESF\\_operational\\_programme\\_2014\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/750497/ESF_operational_programme_2014_2020.pdf)

- promoting social inclusion, combating poverty and any discrimination; and
- investing in education, training and vocational training for skills and lifelong learning.

It is also expected to contribute to the other thematic objectives. All ERDF and ESF programmes and projects are also expected to take account of two cross-cutting themes. For the current round of funding, these cross-cutting themes are sustainable development and equal opportunities and non-discrimination.

## 2.2 The purpose of this report

Evidence suggests that the ERDF has played an important role in delivering environmental and rural objectives over the last 20 years, whilst the ESF's role has been important for rural objectives but more limited for environmental ones.

A literature review, conducted as part of this study, found evidence that ERDF and ESF funding have led to positive impacts on business performance,<sup>19</sup> innovation and unemployment rates.<sup>20</sup> However, we found limited evidence specifically related to the impact of the funding on environmental or rural objectives. See Annex B for full details of the literature review and references contained in this report'.

This report seeks to fill this important evidence gap, building an evidence base specific to environmental and rural objectives. The specific objectives of this project for Defra were:

- to evaluate the scale and effectiveness of the ERDF and ESF funds directed towards Defra 's environmental and rural policy objectives;
- to identify lessons that can be drawn from the ERDF and ESF programmes in terms of delivering on Defra 's environmental and rural policy objectives; and
- to propose possible approaches for using future development funds to achieve environmental and rural policy objectives.

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<sup>19</sup> Regeneris Consulting (2015).

<sup>20</sup> Di Cataldo (2016).

### 3 METHODOLOGY

This chapter sets out the methodology used to gather qualitative and quantitative evidence to assess the scale and effectiveness of ERDF and ESF funding and draw out lessons to inform future funding arrangements.

The project was separated into two phases of work. In the first phase we undertook a review of available evidence that could help to address the three research objectives given in section 2.2. In light of what was found, we identified a series of research options that could help to close some of the evidence gaps. In the second phase we set out to fill the priority gaps using a combination of desk-based research, in-depth interviews and workshops. The rest of this chapter provides more details on each of these steps. A summary of the methodology is provided below.

#### SUMMARY OF METHODOLOGY

The first phase of work involved a review of available evidence on the scale and effectiveness of ERDF and ESF funding with respect to environmental and rural objectives as well as any lessons learned from ERDF and ESF programmes. The review was used to capture existing evidence and highlight key evidence gaps.

In the second phase, quantitative data on the scale and reported output, outcomes and impacts of ERDF and ESF funding was collated to provide an assessment of the scale of funding directed towards environmental and rural goals.

The second phase also involved an extensive qualitative exercise involving in-depth interviews across a wide range of project providers, project funders and wider stakeholders as well as two half-day workshops with a broad range of contributors.

The interviews and workshops were designed to test the hypotheses developed using a theory-based evaluation framework about the mechanisms that were needed for the funding to effectively deliver environmental and rural objectives.

Many of our interviews were conducted with individuals involved with projects which specifically tackled environmental and rural issues and were complete or close to completion. This ensured that it was possible for respondents to give a full picture of the project including the outputs and outcomes (and in some cases, impacts) it had achieved.

We conducted more than 35 semi-structured interviews with project providers and third-party individuals involved with ERDF and ESF funding. This included interviewing a range of individuals across each of our selected projects to ensure that the range of perspectives were considered and views were triangulated where possible.

The findings from the interviews were also tested in two workshops, one focussing on environment objectives and the other on rural ones. The workshops were designed specifically to validate the findings from the interviews and generate, as far as possible, a majority view about lessons learned and future approaches.

### 3.1 Evidence review

Our search protocol for the evidence review involved identifying relevant papers using Google and Google Scholar searches, specific searches of the virtual library of the European Commission, specific searches of the websites of regional entities in the UK and publications on Gov.uk. We also liaised with our stakeholder panel and any contacts they provided to capture a full list of relevant papers.

Our search identified 21 relevant papers, eight of which were considered particularly key and which we reviewed in detail. The eight key papers are set out below, with the list of the 13 additional documents provided in Annex B alongside a more detailed review of the evidence we gathered:

- AMION Consulting (2015), 'Cornwall and Isles of Scilly 2007-2013 ERDF Convergence Programme: Thematic Evaluation – Overview Report', *ERDF Convergence Programme evaluation*.
- Bachtler, J. and Begg, I. (2018), 'Beyond Brexit: Reshaping Policies for Regional Development in Europe', *Pap Reg Sci* 97(1), pp.150-170.
- Department for the Environment, Food and Rural Affairs, Fraser Associates, The Rural Development Company (2005), 'The Effectiveness of EU Structural Funds in Delivering the Government's Environmental Objectives', *A Research Project Funded by Defra*.
- Di Cataldo, M. (2016), 'Gaining and Losing EU Objective 1 Funds: Regional Development in Britain and the Prospect of Brexit', *LSE Europe in Question Discussion Paper Series* 120(2016), London School of Economics.
- Di Cataldo, M. and Monastiriotis, V. (2018), 'An Assessment of EU Cohesion Policy in the UK Regions: Direct Effects and the Dividend of Targeting', *LEQS Paper No. 135*, 2018.
- Economic and Social Development (2015), 'Evaluation of the Impact and Economic and Social Return on Investment of Axis 1 and Axis 3 Activities Delivered through the Rural Development Programme for England, 2007-2013', *EKOS Paper on behalf of Defra*.
- European Commission (2018), 'Country Reports' [online] Available at: [http://ec.europa.eu/regional\\_policy/en/information/publications/evaluations?title=Work+Package+1+&themeld=0&tObjectiveld=ALL&typeld=4&countryld=0&periodld=2&fundld=0&policyld=5&languageCode=en&search=1](http://ec.europa.eu/regional_policy/en/information/publications/evaluations?title=Work+Package+1+&themeld=0&tObjectiveld=ALL&typeld=4&countryld=0&periodld=2&fundld=0&policyld=5&languageCode=en&search=1) [Accessed 20/11/2018].
- Regeneris Consulting (2015), 'Economic Efficiency and What Works in Local Economic Policy', *MHCLG's ERDF 2007-2013 Analytical Programme Workstream Two*.

Our review highlighted substantial gaps in the evidence as set out in Figure 1. As can be seen in the figure, there were clear gaps across all environmental project objectives with no substantive evidence since the Defra-funded research report undertaken by Fraser Associates in 2005<sup>21</sup>. There was some existing evidence on

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<sup>21</sup> Department for the Environment, Food and Rural Affairs, Fraser Associates, The Rural Development Company (2005)

the scale and effectiveness of ERDF/ESF support for rural objectives, but it was not at a very granular level and tended to involve specific projects drawn from across the EU.

**Figure 1 Evidence assessment**

Objective of project	Environmental	Rural
Scale of ERDF/ESF support	Low – no figures identified	Medium – only available figures are at NUTS2 level so not granular enough
Effectiveness of ERDF/ESF support	Low – no substantive evidence post 2006	Medium – some evidence but not systematic
Lessons from ERDF/ESF programmes	Low – no substantive evidence post 2006	Low – some evidence but tends to be non-UK and not systematic
Possible approaches to using future development funds	Low – no substantive evidence post 2006	Low – some evidence but tends to be non-UK and not systematic

Source: Frontier Economics

As a result of the review, the second phase of the work prioritised two areas of activity:

- Desk-based research to assess the scale of ERDF and ESF funding for both environmental and rural objectives, bringing together information across a range of different sources; and
- Qualitative research to assess the effectiveness of ERDF/ESF support, identify lessons and suggest possible approaches to using future development funds. The qualitative research drew on a series of in-depth semi-structured interviews across specific projects and with wider stakeholders. It also involved two workshops to bring together a range of stakeholders to discuss effectiveness and get a shared view of lessons and future possible approaches to funding.

We discuss our approach to each of these phases of the work in more detail below.

## 3.2 Assessing the scale of funding for environmental and rural objectives

There was no single source of data that was fit for purpose for this analysis, so we combined data from the sources shown in Figure 2 to create an overview of the scale of support in the two most recent funding periods, 2007-13 and 2014-20

**Figure 2** Data used to calculate scale of ERDF/ESF support

Fund	Year	Outcome	Data description and source	Geography
ERDF	2007-13	Rural	Project level data on ERDF amount allocated (MHCLG)	Postcode level aggregated up to local authority
ERDF	2014-20	Rural	Project beneficiary level data on ESIF amount allocated (European Commission)	Postcode level aggregated up to local authority
ESF	2014-20	Rural	Project beneficiary level data on ESIF amount allocated (European Commission)	Postcode level aggregated up to local authority
ERDF	2007-13	Environment	Data on ERDF allocations to specific priorities at NUTS3 level (European Commission)	NUTS3 level mapped to Local Authority
ERDF	2014-20	Environment	Data on ERDF funding allocated to environmental objectives (European Commission)	England
ESF	2014-20	Environment	Data on ESF funding allocated to environmental objectives (European Commission)	England

Source: Frontier Economics

### Environmental funding

Data of similar geographical granularity was used to estimate the scale of ERDF support in 2007-13 to environmental outcomes – the specific priorities addressing the environment. Project level funding allocation data on environmentally relevant projects, reported at the postcode level, was aggregated up to the local authority level and the results are reported in Chapter 4 of this report.

Projects were classified as environmental based on whether their specific objective, as defined by their reported priority objective code, was deemed as an objective relevant to the environment according to EU legislation.<sup>22</sup> Given that the classification of environmental objectives was conducted for the 2014-20 period, the environmentally relevant objectives, as defined by the EU, were mapped onto their respective objectives as defined in the 2007-13 programme, where possible.<sup>23</sup> The specific objectives related to the environment for the 2007-13 period are reported in Figure 3.

<sup>22</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0215&from=EN>

<sup>23</sup> Whilst most environmentally relevant objectives in the 2014-20 programme had a corresponding objective in the 2007-13 programme, there were two environmentally related objectives which were new in the 2014-20 programme: 'Research and innovation processes, technology transfer and cooperation in enterprises focusing on the low carbon economy and to resilience to climate change' and 'Development and promotion of enterprises specialised in providing services contributing to the low carbon economy and to resilience to climate change (including support to such services)'.

The use of environmental objectives as defined by EU legislation was driven by the need to make the results comparable with what is currently classified as funding spent for climate objectives across both periods. There are a few climate objectives under which funding is only partly attributed to climate objectives, such as investment in multimodal transport. Whilst we consider these as relevant to the environment, the inclusion of these partly environmental objectives could be seen as an estimate which is biased upwards.

**Figure 3 Objectives in the 2007-13 period related to the environment as defined by EU legislation**

Code 2007-13	Code 2014-2020	Objective 2007-13
6	69	Assistance to SMEs for the promotion of environmentally friendly products and production processes (...)
24	90	Cycle tracks
39	9	Renewable energy: wind
40	10	Renewable energy: solar
41	11	Renewable energy: biomass
42	12	Renewable energy: hydroelectric, geothermal and other
43	13-16, 68,70	Energy efficiency, co-generation, energy management
44	17-19	Management of household and industrial waste
47	83	Air quality
48	84	Integrated prevention and pollution control
49	87	Mitigation and adaptation to climate change
50	89	Rehabilitation of industrial sites and contaminated land
51	85,86	Promotion of biodiversity and nature protection (including Natura 2000)
53	87	Mitigation and adaptation to climate change
55	91	Promotion of natural assets

Source: *Frontier Economics analysis of COMMISSION IMPLEMENTING REGULATION (EU) No 215/2014*

For the 2014-20 period, we are only able to report support allocated to the environment for England as a whole due to a lack of geographical data with sufficient granularity regarding objectives. As described above, objectives are classified as related to the environment according to EU legislation and are reported in Figure 4.

**Figure 4 Objectives in the 2014-20 period related to the environment as defined by EU legislation**

Code 2014-20	Objective 2014-20
9	Renewable energy: wind
10	Renewable energy: solar
11	Renewable energy: biomass
12	Other renewable energy (including hydroelectric, geothermal and marine energy) and renewable energy integration (including storage, power to gas and renewable hydrogen infrastructure)
13	Energy efficiency renovation of public infrastructure, demonstration projects and supporting measures
14	Energy efficiency renovation of existing housing stock, demonstration projects and supporting measures
15	Intelligent energy distribution systems at medium and low voltage levels (including smart grids and ICT systems)
16	High efficiency co-generation and district heating
17	Household waste management (including minimisation, sorting, recycling measures)
18	Household waste management (including mechanical biological treatment, thermal treatment, incineration and landfill measures)
19	Commercial, industrial or hazardous waste management
65	Research and innovation processes, technology transfer and cooperation in enterprises focusing on the low carbon economy and resilience to climate change
68	Energy efficiency and demonstration projects in SMEs and supporting measures
69	Support to environmentally friendly production processes and resource efficiency in SMEs
70	Promotion of energy efficiency in large enterprises
71	Development and promotion of enterprises specialised in providing services contributing to the low carbon economy and resilience to climate change (including support to such services)
83	Air quality measures
84	Integrated pollution prevention and control (IPPC)
85	Protection and enhancement of biodiversity, nature protection and green infrastructure
86	Protection, restoration and sustainable use of Natura 2000 sites
87	Adaptation to climate change measures and prevention and management of climate-related risks
89	Rehabilitation of industrial sites and contaminated land
90	Cycle tracks and footpaths
91	Development and promotion of the tourism potential of natural areas

Source: *Frontier Economics analysis of COMMISSION IMPLEMENTING REGULATION (EU) No 215/2014*  
[https://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/data/esif\\_tracking\\_climate\\_2014-2020.xls](https://ec.europa.eu/regional_policy/sources/docgener/evaluation/data/esif_tracking_climate_2014-2020.xls)

## Rural funding

It was possible to assess both the approximate scale of total ERDF support awarded to projects within rural areas for the 2007-20 period and ESF support awarded to projects within rural areas for 2014-20 as well as to produce a detailed mapping of how that funding was distributed across the country. A detailed mapping of ESF funding for individual rural areas during the 2007-13 period was not possible due to a lack of data available at a local geographical level. The total support to English regions over that period is reported in lieu of more detailed data. Project level data, which identifies the value of funding awarded and the location of the ERDF- or ESF-funded project, was used to approximate the scale of funding across the country. The postcode of the project provider was used to identify the local authority where the provider was based. This meant that funding information could be aggregated to the local authority level<sup>24</sup> and classified according to whether the local authority was rural,<sup>25</sup> according to the Office for National Statistics (ONS 2011) classification.<sup>26</sup> Maps outlining rural ERDF/ESF funding by local authority were produced and are reported in Chapter 4 of this report.

Whilst these estimates are the best that are possible with available data, actual funding to rural areas will likely be different. ERDF and ESF data is collected at the project rather than at the ultimate beneficiary level. Our estimates may underestimate support for rural areas from providers who report their location in urban local authorities but serve rural beneficiaries. They also exclude any funding for rural areas via ESF between 2007-13. They may overestimate support for project providers which report their location in rural local authorities but serve urban beneficiaries.

Mapping ESF funding accurately was particularly challenging. Most project providers tend to be educational institutions, which tend to be headquartered in towns or cities. Whilst they may serve rural beneficiaries, we are unable to quantify the extent to which they do, given available data. Thus, ESF data on rural outcomes should be interpreted with due caution.

## Combining funding data across funding periods

We sought to combine data across funding periods to estimate the total amount of funding spent on or committed to environmental and rural objectives between 2007 and 2020. To achieve this, we relied on data reporting the total amount of funding *awarded* to each project. Because the data available on the latest funding period (i.e. 2014 – 2020) was accessed before the completion of the period (up to January 2019), the total amount estimated is an underestimate of total funding between 2007 and 2020.

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<sup>24</sup> There are 326 local authority districts in England, 145 of which are classified as rural.

<sup>25</sup> Local authorities classified as rural have more than 50% of their 2011 population living in rural areas.

<sup>26</sup> <https://www.gov.uk/government/statistics/2011-rural-urban-classification-of-local-authority-and-other-higher-level-geographies-for-statistical-purposes>

### 3.3 Qualitative evidence gathering

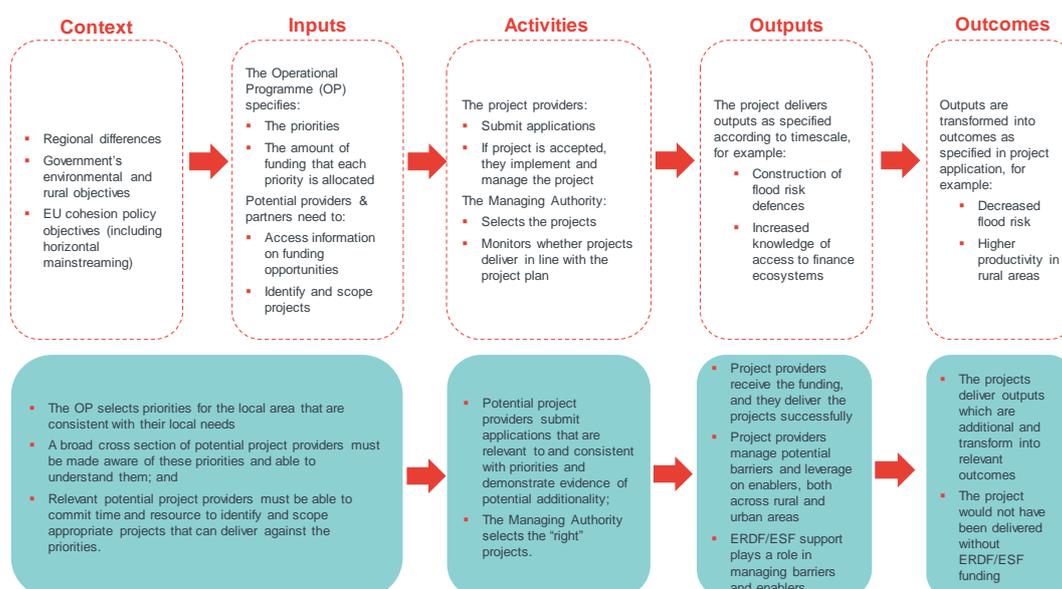
An experimental or quasi-experimental approach<sup>27</sup> to evaluating the impact of ERDF and ESF funding on environmental and rural objectives was determined to be infeasible given the nature of the funding and the data available. Instead we adopted a theory-based approach to structure our evaluation. In instances where it is not feasible to undertake a comprehensive evaluation, theory-based evaluation provides a rigorous approach to using qualitative evidence to test whether what is observed is consistent with effective programme delivery. Theory-based evaluation requires developing a detailed set of logical hypotheses (a theory of change) about what would need to happen at each stage of the funding and project process for ERDF/ESF funding to be effective. These hypotheses are then tested with evidence gathered from the case studies.

Our theory-based approach allowed us to structure our evaluation to understand whether ERDF and ESF funding had played a role in achieving rural and environmental outcomes and the way in which they have contributed. It is also an extremely useful framework for identifying potential improvements that could be made to the intervention design to achieve greater impacts in future.

#### 3.3.1 Theory-based evaluation framework

Theory-based evaluation frameworks build on traditional logic models but focus heavily on the links between the building blocks of the logic model. They describe how an intervention is expected to bring about the desired results. An overview of the theory of change we developed for this evaluation is set out in Figure 5.

**Figure 5 Theory of change**



Source: Frontier Economics

<sup>27</sup> These approaches are seen as a robust way of measuring the causal impact of a programme by the Magenta Book. By randomly allocating the programme to certain areas, but not others, or exploiting random changes to the way the programme is delivered, they are able to attribute any difference in outcomes as the impact of the programme.

Our theory of change suggests that, logically, for ERDF and ESF funds to successfully deliver environmental and rural objectives the following must be true.

1. The ERDF and ESF funding priorities adopted within England **must be relevant** to local areas and **consistent** with their key priorities/needs.
2. Sufficient potential project providers **must be made aware of funding** opportunities to allow a variety of potential projects to be considered under each funding priority.
3. Potential project providers **must be able to identify and scope projects** that can deliver effectively and efficiently against the priorities.
4. Potential project providers must **submit applications that are relevant to and consistent with funding priorities** and demonstrate evidence of additionality.
5. The managing authority must have **appropriate processes in place to be confident that appropriate projects** are selected.
6. Project providers must **successfully deliver the outputs from their projects** to plan (time and budget) e.g. construct flood risk defences or deliver training and guidance to SMEs on access to finance ecosystems.
7. The **outputs from projects must deliver the intended outcomes and impacts**. For example, training and guidance to SMEs on access to finance leads to improved SME knowledge and better decision making, which in turn leads to improved productivity. As an alternative, the construction of flood risk defences successfully lowers the risk of flooding in the relevant area.
8. It must **not have been possible to deliver the same outputs, outcomes or impacts without ERDF/ESF** funding.

The purpose of our in-depth interviews and workshops was to test these propositions in detail to identify the extent to which they held true and what helped or hindered their achievement.

### 3.3.2 In-depth interviews

To achieve a rigorous assessment of the effectiveness of ERDF and ESF funding using our theory of change, we undertook 35 in-depth interviews with project providers, local funders, local stakeholders, academics, representatives from MHCLG, DWP and Defra and those with experience of designing and delivering former programmes, such as the Environmental Sustainability Theme Managers.

Multiple interviews were used to gather evidence for each project. This was undertaken to ensure that the perspectives of both those funding the project and those responsible for delivering it were included and compared with each other, where relevant.

Each project-specific interview was semi-structured, lasted about an hour and covered a consistent set of question themes, flexed to reflect the knowledge and role of the interviewee. Around 50% of the interviews were conducted face to face and the remaining 50% were conducted by phone. All interviews involved two interviewers so that one could ask the questions whilst the other recorded the responses and ensured coverage of the topic guide. Prior to conducting each interview, a detailed briefing on the project and the existing evidence of its impact

were prepared for the interviewees. Within each interview we also requested documentation such as summative assessments, logic models used and external project evaluations to support the claims being made, as well as any further quantitative evidence of the impact of the project. We selected five projects with an environmental focus and five projects with a rural one, interviewing a mix of individuals involved with project delivery and involved at a more strategic level. The topic guides for these interviews are provided in Annex C.

Data on publicly available information regarding the size, priorities tackled, location and duration of ERDF/ESF projects was used to conduct the project shortlisting process.

Environmental projects were selected if they targeted environmental priorities, such as flood risk, carbon reduction and biodiversity.

Across our mix of environmental and rural projects, we also sought to ensure that the projects:

- covered different types of regions within England (specifically, those covered by different EU regional classifications);
- covered both funding periods;
- focused on a range of different funding priorities; and
- were relatively large scale and likely to have derived a sizeable impact from ESIF funding.

To select projects likely to be tied to rural objectives, we identified projects being undertaken in rural Local Enterprise Partnership (LEPs) (those which had more than 50% of their population in rural areas).

Across the rural projects selected, some also covered urban areas. This made it possible to compare the effectiveness of funding between rural and urban areas.

To complement the evidence gathered within the project-specific interviews, we also undertook interviews with a range of additional stakeholders. These interviews explored those elements of the theory of change which were covered in less detail by the project-specific interviews or which a more strategic perspective of ESIF would help inform.

The stakeholder interviews undertaken with the representatives involved in delivering previous programmes, such as the Environmental Sustainability Theme Managers, were informative on the ability of ERDF and ESF to address environmental outcomes through horizontal cross-cutting themes. Those with environmentally focused representatives of ESF helped complement the horizontal themes gathered in the interviews with the theme managers and also helped close gaps related to ESF projects with an environmental component. Finally, the interviews with rural stakeholders provided a more strategic view of the context of ESIF funding within the rural context.

Three different topic guides were used to conduct the stakeholder interviews, reflecting the three different categories of interviews described above. Whilst the project-specific guide focused on the whole set of components of the theory of change, the stakeholder interview topic guide was much more centred on the context of ESIF funding as well as outputs and outcomes, foregoing to a large extent the nuances of delivering projects.

A purposive selection process was used to select projects to be covered within the review. This process aimed to maximise the number of dimensions spanned by the evidence, such as location across the country, types of funding and priorities, rather than being chosen purely randomly. A standard approach in qualitative evidence gathering, this is done to ensure that as large a range of perspectives are captured as possible and is particularly useful for projects seeking to understand the strengths and limitations of policy initiatives. It is not the intention of this type of work to present these perspectives as representative of all relevant projects, rather as a good oversight of the breadth of perspectives available. The limitation of this approach is that it relies on a single project to cover a certain combination of key dimensions of ERDF and ESF projects. In other words, whilst it spans several relevant dimensions, it trades off depth within a single dimension (for example ERDF projects in the north east).

### 3.3.3 Workshops

As part of work to enhance the evidence base on the role of ERDF and ESF in delivering environmental and rural outcomes in England over the 2000-14 periods, Frontier convened two half-day workshops (one focused on environmental objectives and the other focused on rural objectives) on 5th March 2019 to gather perspectives from participants on the following areas:

1. What worked well in the design and delivery of the ERDF/ESF programmes from an environmental/rural standpoint? What worked less well?
2. a) To what extent were the ERDF/ESF programmes able to deliver effectively in terms of both vertical and horizontal integration of environmental concerns?  
b) To what extent were the ERDF/ESF programmes able to deliver effectively both across rural and urban areas?
3. What could be changed going forward to ensure that future development funds better achieve environmental/rural policy objectives?

Each workshop was attended by approximately 20 individuals.<sup>28</sup> Attendees were selected purposively to ensure attendance from DWP, LEPs, ESIF Committees, project providers and Defra. The environmental workshop also included former Environmental Sustainability Theme Managers and a representative from the Environment Agency and Natural England.

During the workshops, participants were asked to actively engage to identify enablers and barriers to achieving environmental/rural outcomes using ERDF/ESF funding in terms of:

- targeting local priorities;
- selecting relevant projects;
- applying for funding;
- delivering projects; and
- delivering outcomes and impacts.

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<sup>28</sup> Detail on workshop attendees is reported in Annex D.

Environmental participants were also asked to consider horizontal delivery (the cross-cutting theme of sustainable development). Rural participants were asked to consider differences between urban and rural areas.

Workshop participants were then tasked with voting for the objectives that represented the most pressing issues for their areas. Objectives were taken directly from existing ESIF documentation. Participants were given the chance to add missing objectives before voting took place. Participants were then split into groups and asked to identify lessons for future funding targeted at one of the highest rated objectives.

The workshops were designed to overcome some of the limitations associated with the selection of the in-depth interviews, as they could test whether evidence gathered in these interviews was consistent across individuals and projects, or whether the evidence was relevant only to a specific project. The method of externally validating evidence received in the in-depth interviews consisted of two main exercises.

The first exercise consisted of each participant reporting all barriers and enablers associated with the key categories of the theory of change used to design the questions in the in-depth interviews.<sup>29</sup> We matched the barriers and enablers reported in the workshop with those reported in the in-depth interviews to find the barriers and enablers which were consistently mentioned across all participants in both the workshop and in project-specific interviews.

The second exercise consisted of allowing participants to vote on three main objectives which ERDF and ESF funds should be targeting. Alongside the current objectives, as reported in England's 2014-2020 Rural Development Programme,<sup>30</sup> we allowed participants to add certain objectives which were not currently covered in the RDPE. This allowed us to build a sense of consensus on the most important priorities for ERDF and ESF funding for environmental and rural outcomes. Whilst we endeavoured to contact each LEP sub-committee to have the most representative sample of views, the workshop participants represented 11 out of 38 LEPs in England. Thus, whilst our results are not representative of all LEPs across the country, we believe that the views formulated in the workshop by participants broadly reflects key concerns across a wide variety of LEPs.

A detailed description of the design of the workshop is included in Annex D.

### 3.3.4 Synthesising the evidence

To synthesise evidence across the interviews, we collated and compared the answers for each question across all interviews to identify key themes in the responses for environmental and rural objectives separately. Key themes were identified as being reported by the 'majority' for a certain question if three or more interviews associated with different projects reported a certain answer corresponding to the identified theme. As we identified five projects relating to rural objectives and five projects relating to environmental objectives, an answer which

<sup>29</sup> This was facilitated by each participant writing their views on Post-its and allocating them on a flipchart corresponding with each section of the theory of change, for example on the 'application process' or the 'project delivery' whiteboard.

<sup>30</sup> RDPE programme document for 2014-20 – page 31.  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/730517/rdpe-programme-document.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/730517/rdpe-programme-document.pdf)

is reported in three or more interviews associated with different projects is a view reported in the majority of projects in our sample.

Once the list of all themes identified by the majority of interviews was created, we identified views which were common across both environmental and rural projects and those which were unique to either environmental or rural projects.

For themes reported by only one interview, we considered whether those themes were also reflected in the workshop and, if so, whether those were also considered as 'majority' views. As the workshops represented a wide range of stakeholders and project providers, the views reached in the workshop are classified as being the 'apparent majority' view.

## 4 SCALE OF FUNDING FOR ENVIRONMENTAL OBJECTIVES AND RURAL AREAS

This chapter provides an assessment of the scale and geographical distribution of funding devoted to environmental objectives and rural areas, based on the methodology set out in the previous chapter.

### SUMMARY OF FINDINGS ON THE SCALE OF FUNDING

#### Environmental funding

The total amount of ERDF and ESF funding in England committed to or spent on environmental objectives was approximately **€1.6 billion between 2007 and 2020**. The majority of this funding was focused in local authorities across the **north east, the Midlands and Cornwall**.

This estimate is based on funding allocated to projects which target objectives deemed relevant to the environment by EU legislation, as represented in Figure 3 and Figure 4.

#### Rural funding

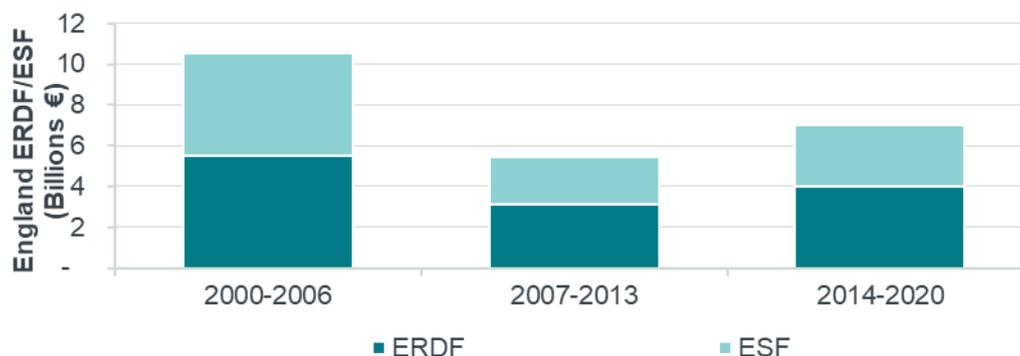
**An estimated €1.3 billion of ERDF and ESF funding was committed to or spent through project providers located in rural areas between 2007 and 2020**. The distribution of this funding is heavily focused in a subset of local authorities, in particular in Cornwall and the Isles of Scilly, with a large number of rural areas receiving no funding at all.

This is our best estimate of the amount of ERDF and ESF funding delivered to rural areas. But it has a number of limitations. Firstly, it may understate rural funding in instances where funding is given to a project headquartered in an urban area, which serves the rural community and/or rural beneficiaries. Secondly, it may overstate rural funding in instances where that funding is given to a project headquartered in a rural area which serves urban beneficiaries. Finally, it was not possible to include ESF funding for rural areas for the 2007-13 period.

### 4.1 Overview of ERDF and ESF funding

In the current EU funding period, spanning from 2014 to 2020, England was allocated around €7 billion from the EU for ERDF and ESF, as shown in Figure 6. This represented an increase of 28% relative to the previous funding round (2007-13) although it was 34% lower than funding received between 2000 and 2006.

For the past three EU funding periods, the split between ERDF and ESF funding has been stable with between 50 and 60% allocated to ERDF.

**Figure 6 ERDF and ESF funding over time – England (€ billions)**

Source: *European Commission*

Note: *Data from 2014-20 is based on planned expenditure*

Apart from social inclusion, ERDF and ESF funding target different objectives in England. Figure 7 shows a breakdown of the objectives targeted by ERDF and ESF funding in 2014-20. As shown in the figure, the top three objectives targeted by 2014-20 ERDF funding are:

- enhancing the competitiveness of SMEs (approximately €1.6 billion);
- strengthening research, technological development and innovation (approximately €800 million); and
- supporting the shift towards a low carbon economy in all sectors (approximately €700 million).

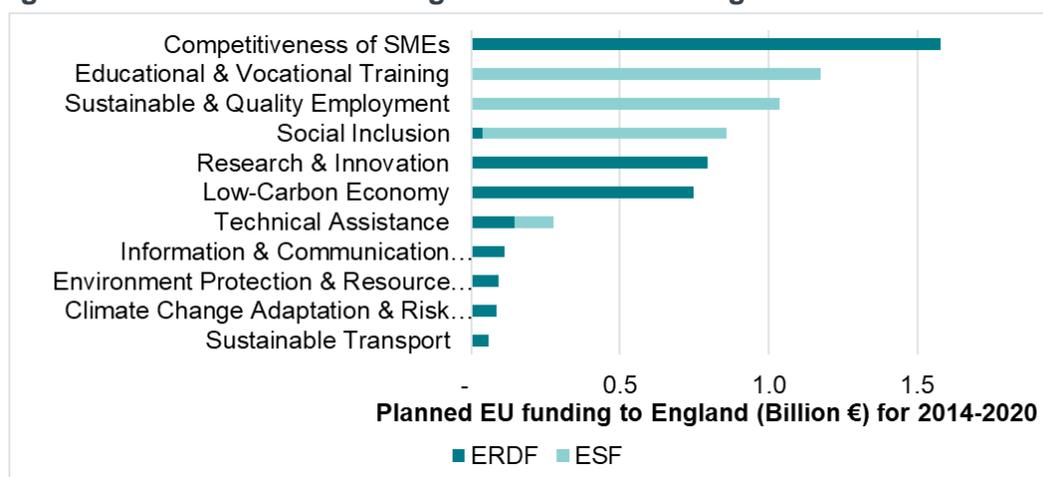
Together these three objectives account for 83% of all ERDF funding in England.

The top three objectives targeted by ESF<sup>31</sup> are:

- investing in education, training and vocational training for skills and lifelong learning (approximately €1.2 billion);
- promoting sustainable and quality employment and supporting labour mobility (approximately €1 billion); and
- promoting social inclusion, combating poverty and any discrimination (approximately €800 million).

Together these objectives account for 96% of all ESF funding in England.

<sup>31</sup> The YEI (Youth Employment Initiative) was excluded from this analysis.

**Figure 7 Planned EU funding for ERDF/ESF in England for 2014-2020**

Source: Frontier Economics analysis of European Commission data

## 4.2 Funding with an environmental focus

### ERDF

The total amount of ERDF funding in England spent on environmental objectives was approximately €457 million in the 2007-13 period, representing 13% of all ERDF funding allocated in that period. As explained in Section 3.2, this was calculated by selecting the priority codes specified by European regulations for the 2014-20 period as relevant to environmental outcomes and translating them onto the 2007-13 priority codes for ERDF.

As shown in Figure 8, the majority of ERDF funding related to environmental objectives between 2007 and 2013 was focused in local authorities across the north-eastern parts of England as well as local authorities in the middle of the country and in Cornwall, with a lack of funding in local authorities in south-eastern parts of the country.

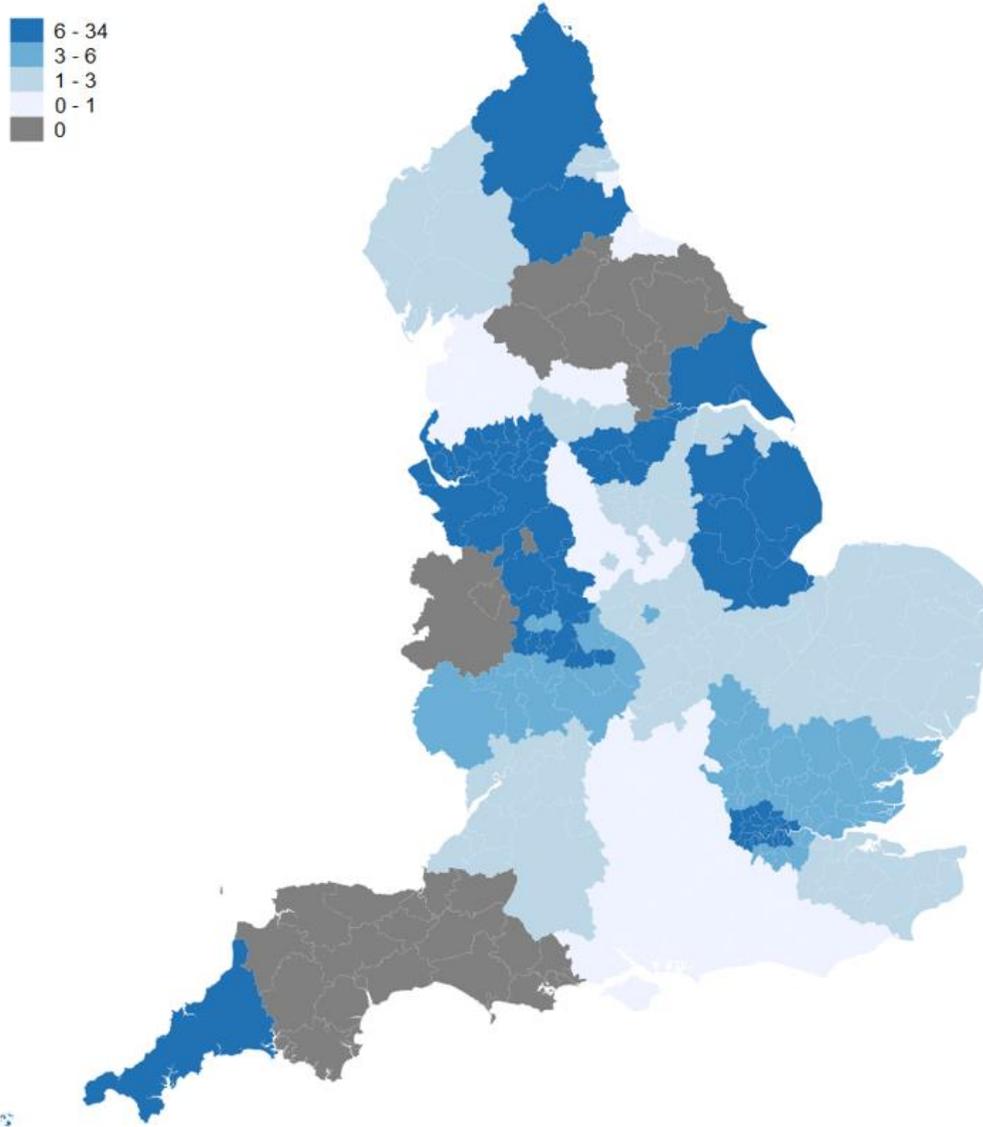
Combining the number above with the amount of funding committed to or spent on environmental objectives of approximately €1.1 billion during the 2014-20 period,<sup>32</sup> an estimate of **approximately €1.6 billion (23%) of ERDF spending was committed to or spent on tackling environmental objectives between 2007 and 2020 in England.**

The estimated amount is sensitive to both the selection of environmental objectives which are deemed as relevant as well as the amount of funding to those objectives which should be deemed as related to the environment. Furthermore, the choice of environmental objectives for the 2007-13 period was based on a transposition of those defined as environmentally related by European legislation drafted in 2014. This transposition implies that our estimate might not reflect the true amount

<sup>32</sup> Data on spending committed to projects with an environmental focus, using the specified environmental codes to reflect environmental priorities, can be found in the spreadsheet entitled "European commission ESIF climate tracking for the 2014-20 period", available at the following link: [https://ec.europa.eu/regional\\_policy/en/policy/evaluations/data-for-research/](https://ec.europa.eu/regional_policy/en/policy/evaluations/data-for-research/)

related to environmental objectives, given certain objectives deemed relevant to the environment were modified between the 2007-13 and 2014-20 periods. Furthermore, the difference between spending between the two periods may reflect changes in the amount of funding given to certain environmental objectives, such as low carbon, in the latter period.

**Figure 8 ERDF funding for 2007-2013 allocated to environmental objectives by local authority (€ million)**



Source: Frontier Economics analysis of EU Commission data (DG REGIO)

## ESF

Data was not available for ESF funding in 2007-13 at a granular enough level to identify whether the funding was targeted at priorities which were relevant to the environment. Using country level data for the 2014-20 period, **approximately €8**

million (0.3%) contributed to environmental outcomes in England through ESF.<sup>33</sup>

### Total environmental funding across ERDF and ESF

The total amount of funding allocated to environmental objectives across both ERDF and ESF in England from 2007 to 2020 is estimated to be approximately €1.6 billion. This estimate is likely to be slightly conservative, given we are not able to estimate the amount of ESF funding in 2007-13 contributing to environmental outcomes. Nonetheless, given the size of the amount contributing to the environment by ESF funding in the 2014-20 period, we expect the ESF funding contributing to the environment in the 2007-13 period to be small, as compared to the total amount reported above across both funds. Finally, the funding considered in the estimate excludes any funding delivered in support of the sustainable development cross-cutting theme. Hence, our estimate measures only the amount allocated to projects with a specific environmental objective excluding funding given for environmental activities of projects targeting non-environmental objectives.

## 4.3 Funding with a rural focus

### ERDF funding

The total amount of ERDF funding spent on projects within English rural local authorities, as defined by the ONS,<sup>34</sup> equated to approximately €600 million (20%)<sup>35</sup> of ERDF funding between 2007 and 2013. As explained in Section 3.2, this was calculated by aggregating funding for ERDF projects at the local authority level, for all local authorities which are defined as rural according to the ONS (2011) classification<sup>36</sup>. As shown in Figure 9, funding for rural ERDF projects appears to be concentrated in local authorities in the centre of the country, as well as those in the north and in the south west.

Combining this with the €600 million (14%) of funding from the 2014-2020 ERDF programme committed to or spent on ERDF projects in rural local authorities by the end of January 2019<sup>37</sup>, an **estimated €1.2 billion (17%) of ERDF spending had been spent or committed in rural areas**<sup>38</sup>. As shown in Figure 10, the geographical distribution of ERDF funding to rural areas in the 2014-20 period is similar to the 2007-13 distribution.

The methodology used above has limitations which are driven by the available data. Given location data only exists for project providers, rather than ultimate beneficiaries, our methodology classifies a project as rural if the reported postcode of a project provider is in a rural local authority. Thus, any project which may serve

<sup>33</sup> European Commission ESIF climate tracking for the 2014-20 period.

<sup>34</sup> The classification was produced by the University of Sheffield and was sponsored by a cross-government working group comprising Department for Environment, Food and Rural Affairs, Department of the Communities and Local Government and Office for National Statistics.

<sup>35</sup> €365 million (12%) excluding Cornwall.

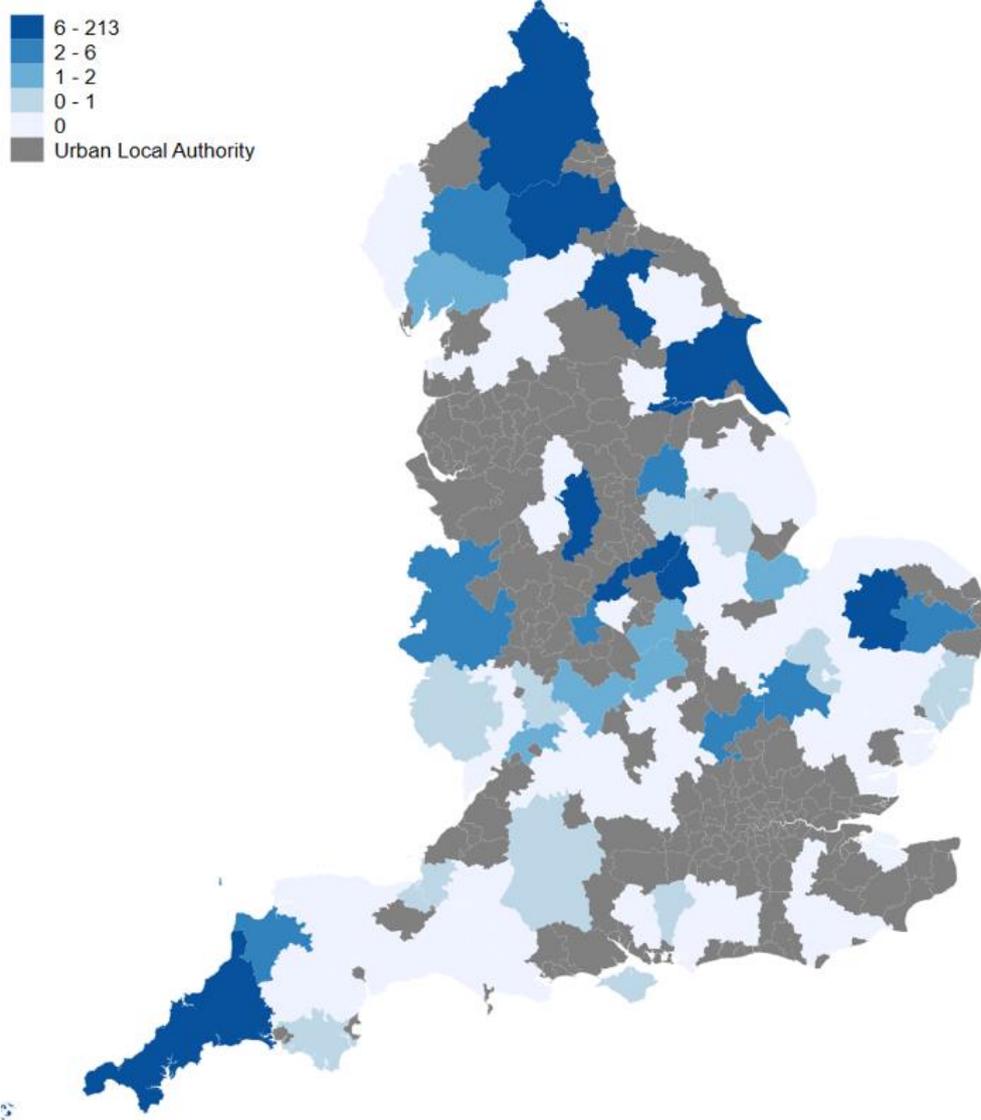
<sup>36</sup> This is defined as those local authorities having 50% or more of their population residing in rural areas.

<sup>37</sup> €430 million (10%) excluding Cornwall

<sup>38</sup> €795 million (11%) excluding Cornwall

rural beneficiaries but reports a postcode in an urban local authority would not be counted towards total amount of funding committed to rural areas. Similarly, any project located in a rural local authority but serving urban beneficiaries would count as rural.

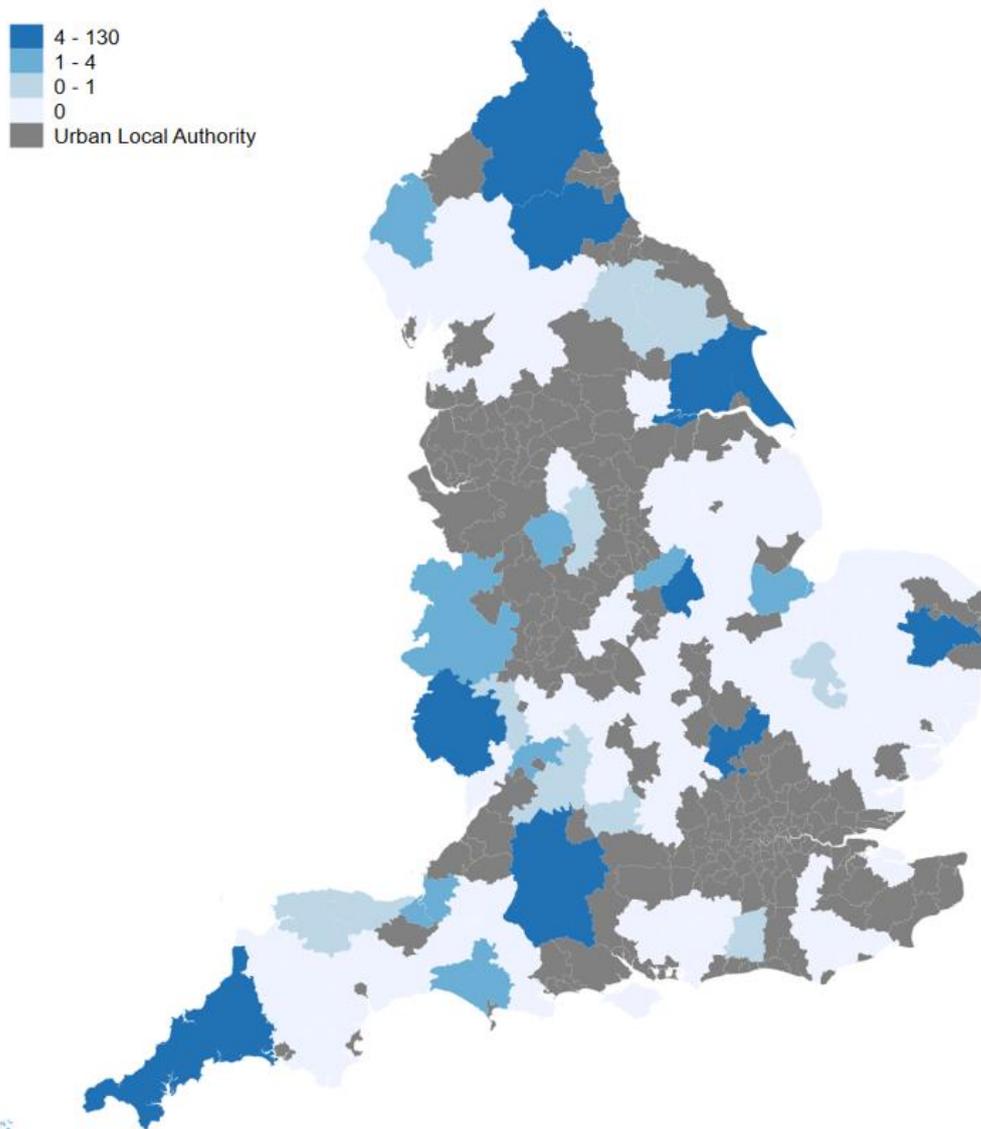
**Figure 9** ERDF funding for 2007-2013 allocated to project providers located in rural local authorities (€ million)



Note: Funding expenditure reported according to quintiles of the funding expenditure distribution in England. Key reports minimum and maximum value in a certain quintile..

Source: Frontier Economics analysis of EU Commission data (DG REGIO)

**Figure 10** ERDF funding in 2014-2020 allocated to project providers located in rural local authorities (€ million)



*Note:* Funding expenditure reported according to quintiles of the funding expenditure distribution in England. Key reports minimum and maximum value in a certain quintile. A legend labelled '0-0' implies there is no funding reported in that rural local authority.

*Source:* Frontier Economics analysis of EU Commission data (DG REGIO)

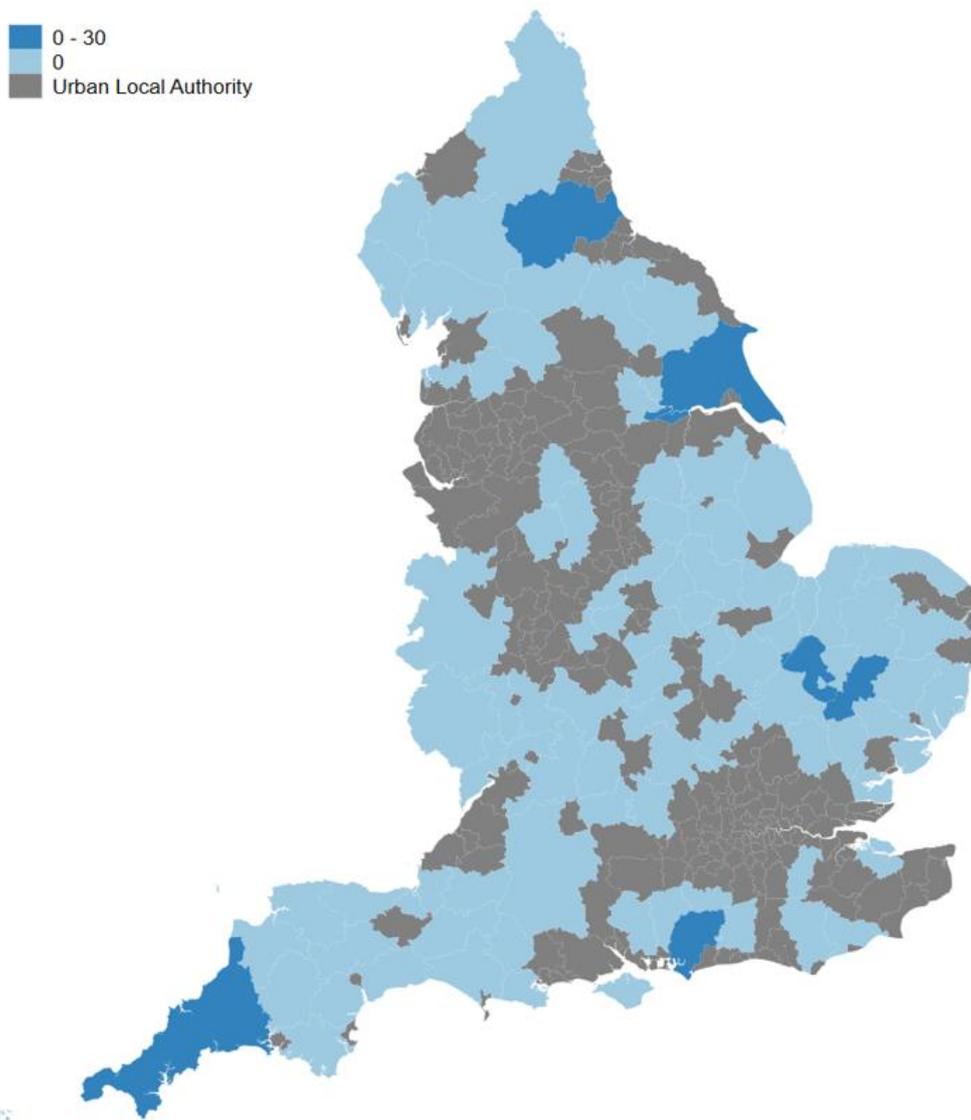
## ESF funding

Data was not available for ESF funding in 2007-13 at a granular enough level to identify whether the funding was allocated to rural rather than urban areas. For the 2014-20 period, €95 million (3%) was allocated to ESF project providers in English rural local authorities. As shown in Figure 11, ESF tends to be spent in only a handful of local authorities across the country. Most rural local authorities in the centre of the country see no ESF investment for the 2014-20 period.

These results are likely to be an underestimate of ESF funding to rural areas because they reflect 2014-20 funding committed to projects by January 2019 only

and do not capture 2007-13 funding at all. They should also be interpreted with due caution as most ESF project providers tend to be educational institutions, which tend to be headquartered in towns or cities. Whilst they may serve rural beneficiaries, we are unable to quantify the extent to which they do, given available data. Accepting the difficulty of identifying the location of ESF beneficiaries, these results suggest that ESF projects are potentially relatively under-represented in rural areas.

**Figure 11 ESF funding for 2014-2020 allocated to project providers located in rural local authorities (€ million)**



*Note:* Funding expenditure reported according in England. Key reports minimum and maximum value.

*Source:* Frontier Economics analysis of EU Commission data (DG REGIO)

### Total rural-focused funding across ERDF and ESF

The **total amount of funding committed or spent in rural areas across both ERDF and ESF in England from 2007 to 2020 is estimated to be approximately €1.3 billion.** This is our best estimate may not reflect the true nature of rural

funding for the following reasons. Firstly because we are not able to estimate the amount of ESF funding in 2007-13 to rural areas and the 2014-20 numbers are for commitments to projects up to January 2019 only. Secondly, because we are not able to capture funding for rural beneficiaries for providers with a postcode in an urban Local Authority. Similarly, projects which report a rural postcode may serve urban beneficiaries.

## 5 ISSUES COMMON TO ENVIRONMENTAL AND RURAL OBJECTIVES

This chapter brings together the responses from across our in-depth interviews and workshops to draw out the findings that were common to projects or stakeholders spanning both environmental and rural objectives. Three areas are the focus of this chapter as issues were found to be common across projects. These are the project application process, the selection of projects for funding and the ability of projects to deliver environmental and rural outcomes and impacts.

### SUMMARY OF KEY FINDINGS

#### The application process

There was wide recognition by those taking part in our study of a need for a rigorous application process. There was also positive feedback about the perceived improvement in the administration of the most recent round of funding.

Projects where there was a good relationship between the project applicant and the local area, and also between the local area and the managing authority, tended to be able to progress applications in a timely manner. By inference, there is a risk that new or innovative providers or projects progress slowly.

While accepting the need for rigour, there were widespread concerns about instances where the cost of application was unnecessarily burdensome. There were particular concerns about the elapsed time taken by government to respond to funding applications. This forces providers to 'work at risk', affecting delivery and ultimately forcing some providers out of business.

A number of interviewees commented that, in some cases, the lengthy elapsed time before receiving a response to an application for funding, was the result of a lack of technical knowledge of certain relevant areas within managing authorities.

#### Project selection

Participants in our in-depth interviews and our workshops considered that, in general, appropriate ERDF and ESF projects were selected for funding. However, insights expressed by participants suggest that the range of potential applicants for funding may be limited and skewed. Local marketing of opportunities is limited and pre-existing knowledge of the application process (or deep pockets) is key to successful applications. This could potentially mean that only organisations with existing knowledge of funding opportunities or with existing projects make applications, with new or smaller providers not taking part.

The ERDF and ESF requirement that projects get match funding (equivalent funding from an alternative source) can also affect the scope of project applications that are made. Whilst match funding was widely regarded by those taking part in our study as critical for getting a sufficient scale of project, participants commented on the complexity of achieving match funding and how

the need for match funding can skew funding towards projects that tackle issues which have already attracted investment. There is a barrier to achieving match funding in more developed<sup>39</sup> regions as the size of the match required is larger.

### **The ability of projects to deliver outcomes and impacts**

The scale and ringfenced nature of funding was seen as critical in delivering outcomes and impacts. The fact that a large pot of money was set out to tackle only a specific objective ensured projects focused on tackling a certain environmental or rural issue.

The majority of completed projects reflected by participants in our study could quantify positive values of environmental or rural benefits achieved. These were measured through individual evaluations at the end of each project. All projects that involved interacting with individual business beneficiaries commented on the challenges of maintaining positive improvements after the project had been completed.

There appears to be significant additionality in the achievements reported by projects reflected in our study. The local environmental and rural priorities targeted by ERDF and ESF funding are beset by market failures.<sup>40</sup> This creates a clear rationale for government intervention. There was an apparent majority view from stakeholders that there were no other funding mechanisms that could be used to tackle environmental and rural priorities at the scale achieved by the ERDF and ESF.

## **5.1 The application process**

### **Recognition of the need for a rigorous process and signs of improvement**

The majority of participants in our study recognised that the application process for projects needed to be rigorous given the large sums of money involved. They supported the **focus on additionality and market failure** to ensure public money was safeguarded and thought that the managing authorities were doing a good job in selecting the best value projects. Many interviewees and workshop participants also commented that **the application process for 2014-20 was an improvement on earlier periods** because it created a single point of access, a single application document and a single procedure for both ERDF and ESF funds. One interviewee commented, 'This time around things have worked really well. The application process has been easier and quicker, and we have applied feedback from an earlier project to put in the full application and achieve approval much more quickly'.

<sup>39</sup> This is EU nomenclature for regions which have a relatively higher level of GDP per capita as compared to the EU average.

<sup>40</sup> One example given was around road infrastructure. There are positive externalities to road investment that will not be part of a private decision about road investment. This means that there will be an underinvestment in roads relative to the optimal level if reliance is placed on the private market alone (market failure).

### Relationships, strengthened in areas with a history of funding, are important for progressing applications in a timely manner

Whilst not consistently true of all projects in our study, many interviewees and workshop participants considered that **projects where there was a good relationship between the project applicant and the local area and also between the local area and the managing authority, tended to be able to progress applications in a timely manner.** These relationships, combined with the ability of project managers to convey the capacity for their projects to meet the priorities set by managing authorities with assertiveness and resourcefulness, appeared to be particularly evident for areas such as Cornwall, which has historically received a large share of structural funding. By inference, projects, providers or areas where funding is less well established may experience a slower application process.

### The cost of application appears disproportionate in some cases

Whilst interviewees and workshop participants widely recognised that a rigorous application process is necessary to safeguard public money, there was a widespread view that **the application costs seemed to be disproportionate for some projects.** An example given by one interviewee was the need to get external legal advice for state aid issues. This is costly to applicants and was considered by the interviewee to be unnecessary for the type of public infrastructure project that was being pursued.

As a result, there was a widespread and strongly held view that the **application process was unduly inflexible and disproportionate in some cases.** There were widely held **concerns about the elapsed time** taken to respond to funding applications. Interviewees made the following comments:

- 'It [the application process] took at least a year and it seemed to take a long time to finally get the contract signed.'
- 'Phase 1 was a nightmare. It was supposed to start in January and the contract was not delivered until June. The contract was then backdated and so six months was immediately lost. Having received the contract, it obviously took us time to get started. This meant that the first year was a write-off. This meant we had to deliver in two years rather than three.'

Another concern revolved around the **materiality of certain expenditures** in light of the amounts of money, which implies the application process becomes unduly lengthy. One interviewee commented, 'The challenge becomes responding to questions. There is no concept of materiality. For example, I have been asked to justify £1,500 spent on attendance at a conference within a £9 million project'.

Many interviewees were keen to point out that the time involved in getting a decision from the application **process forces providers to 'work at risk' before getting approval.** This means that they begin delivery ahead of receiving payment. The ability to work 'at risk' is only possible for certain types of organisations and so affects those organisations that are able to apply. The delays in the approval process can also negatively affect the ability of projects to retain the matched funding they had lined up. One interviewee commented, 'Having to provide signed letters of assurance from partners for match funding at the start of

the process is a problem as projects need flexibility as they are developed. Providers of match funding need reassurance that the principal source has been secured and will be available even through changes and flexing of the project. Some major funding sources enable this by guaranteeing a proportion of the total project cost up front’.

Another barrier identified by interviewees referring to capital projects, was the **added complexity of applications that needed capital funding, as opposed to ones with only revenue funding requirements**, given the need to provide more evidence as well as having to apply for planning permissions. Nonetheless, the length of this ‘has been changed in the [current] period’ in terms of ‘lower word count’, reducing the time spent filling in the application form for capital-focused projects.

For ESF, the setting of multiple priorities by the managing authority and the co-financing organisations, such as the Big Lottery Fund, was seen by several interviewees as providing less clarity when completing applications due to the number of priorities to be tackled by projects.

#### Technical knowledge may be a constraint for processing applications in some cases

Several participants commented that, in some cases, **the lengthy elapsed time before receiving a response to an application for funding was the result of a lack of technical knowledge of certain relevant areas within managing authorities**. This potentially creates increased delay for more technical projects and potentially raises concerns that there could be an unconscious bias towards ‘softer’ easier-to-understand projects. One project manager, for example, considered that managing authorities struggled to fully appreciate the positive impact of more technical projects that have less immediately recognisable beneficial outcomes. ‘There is an inability by some within the managing authority to appreciate the importance of investing in scientific research such as graphene technology, which is a key enabling technology in boosting the productivity and efficiency of capital.’

#### There are barriers to projects that target multiple priorities

The siloed nature of applications with respect to individual priority axes was seen by some respondents as a **barrier in promoting programmes targeting multiple priorities within a single project**. The need to write applications focused on only one of potentially multiple priorities was seen as a limitation by several participants.

## 5.2 The selection of specific projects

### Appropriate projects were selected for funding

There was a widely held view by interviewees and workshop participants that **appropriate projects were selected for funding**. The call specification published by the managing authority was seen as being critical to the quality and relevance of projects that came forward. The appropriate tailoring of projects to local objectives allowed a facilitation of projects being funded which were consistent with

local strategic objectives of certain areas within LEPs. The involvement of the LEP sub-committee was seen as important to achieving this.

### But the range of potential applicants and projects may be limited and skewed

It was widely recognised by interviewees and workshop participants that the **ability to market funding opportunities to potential project providers was limited**. This potentially meant that the number and range of project applicants was not as extensive as possible.

It was also widely noted that **knowledge of the ESIF application process was central to successful applications**, possibly limiting the pool of potential providers to those with existing knowledge or experience of the process, or those with deep pockets. This is **likely to mean that smaller local providers, who may also be agile and innovative, may be excluded**. The minimum project size threshold also prevents these businesses from taking part unless as part of a consortium. Participants mentioned significant drop-out rates from the application process, particularly amongst voluntary or small/entrepreneurial businesses which EU Cohesion funds ought to support and promote. This could also be one explanatory factor in the number of projects that continue to receive funding across multiple funding rounds.

There were suggestions by a number of interviewees that **ESIF funding was potentially propping up certain aspects of university research** and hence skewed towards projects with a strong research focus, which might not coincide fully with local priorities. This was coupled with a concern that universities may be less well equipped to engage with local businesses than other types of providers

### Requirements to get match funding can affect the scope of projects taken forward

Whilst match funding was widely regarded as critical for getting a good scale of project, interviewees and workshop participants commented on the complexity of understanding and seeking match funding in a timely manner. They also commented on the **bias of match funding towards areas which already had a significant amount of investment**. This made it difficult to obtain match funding in areas which were relatively less well covered by donors, for example for Priority Axis 6 in the 2014-2020 ERDF programme.<sup>41</sup>

The **minimum project size for projects also creates a financial barrier of limiting projects' ability to obtain match funding thresholds in more developed regions**. With a minimum ERDF contribution of £500,000, less developed regions, such as Cornwall, have only to provide £125,000 worth of additional funds as match funding as they face a co-financing rate of 80%. For more developed regions, where the co-financing rate is 50%, they have to find at least an additional £500,000 to secure £500,000 of ERDF, meaning the total project size is at least £1 million.

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<sup>41</sup> Priority Axis 6 focused on projects related to 'Preserving and protecting the environment and promoting resource efficiency'.

### Restrictive interpretation of priorities and inconsistent guidance have prevented some priorities from being pursued

A number of participants mentioned that the interpretation of ERDF priorities in the Operational Programme made **certain priority axes easier to use to target their specific local needs than others**. For example, one participant noted that they were not able to use Priority Axis 4<sup>42</sup> funding (low carbon economy) for a project to promote sustainable, green transport in rural areas. Another interviewee highlighted that resource efficiency was not initially eligible under Priority Axis 4B<sup>43</sup>, so opportunities to save water were missed. As illustrated above, this restriction was lifted in an England ERDF 2014-20 Operational Programme Modification Strategic Environmental Assessment Screening Statement<sup>44</sup> in September 2017.

There was a widely held view that **inconsistent guidance over the eligibility of some areas to access funding for Priority Axis 6** (Environment and Resource Efficiency), given their pre-existing ability to access countryside stewardship funding via EAFRD, meant that priorities in those areas were often neglected. Clarity and consistency over these linkages would have enabled environmental priorities to be better tackled in affected areas. Furthermore, this issue meant that priorities in those areas were often neglected and **drove a city-centric approach to some aspects of funding**, which was seen as not beneficial to those rural areas.

## 5.3 Ability to deliver project outcomes and impacts

### The scale and ringfencing of funding were seen as critical to delivering outcomes and impacts

The **scale of ERDF funding and its ringfenced nature were widely regarded as significant** in being able to tackle environmental and rural issues in local areas at a scale and a speed that would not be possible in the fund's absence. Given ERDF funds are ringfenced to a certain priority axis, for example supporting the shift to a low carbon economy, they cannot be used for other purposes. This was seen as important for preventing money being diverted away from key priorities. It may also have focused efforts on securing more difficult to achieve priorities rather than allowing allocations to be influenced by ease of spend considerations.

ERDF funding was widely regarded as enabling central government funding to stretch a lot further than it otherwise would. Several participants noted this in respect of flood defence schemes that they felt would have failed to achieve their desired objectives if ERDF funding had been more limited.

<sup>42</sup> Priority Axis 4 focused on projects related to 'Supporting the Shift Towards a Low Carbon Economy in All Sectors'

<sup>43</sup> Priority Axis 4B focused on projects related to 'Promoting energy efficiency and renewable energy use in enterprises'.

<sup>44</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/654164/170911\\_ERDF\\_MA\\_determination\\_on\\_Strategic\\_Environmental\\_Assessment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/654164/170911_ERDF_MA_determination_on_Strategic_Environmental_Assessment.pdf)

### Completed projects have delivered their targeted outcomes

The **majority of completed projects were able to quantify positive values of environmental or rural benefits achieved**, measured through individual evaluations at the end of each project.

Based on internal government data received on project evaluations for the 2007-13 period, for example, ERDF-funded projects assisted 11,616 SMEs with an environmentally focused programme and reduced 6.4 million tonnes of CO<sub>2</sub> across the period. For projects based in rural areas, ERDF-funded projects created or sustained close to 20,000 jobs and delivered a £77 million increase in gross value added (GVA) during the 2007-13 period.<sup>45</sup>

One interviewee raised the issue of quantification of outcomes for flood risk schemes recognising that whilst their 'flood alleviation scheme is highly rated by professionals and it has won awards, it won't be tested until another major rain event occurs'.

### There appears to be significant additionality in these achievements

There was a widely held view that the **local environmental and rural priorities targeted by the ERDF and ESF funding were beset by market failures<sup>46</sup> that created a clear rationale for government intervention**. There was an apparent majority view from stakeholders that they **were not aware of any other funding mechanisms that could be used to tackle these issues at the scale achieved by the ERDF and ESF**. The application process played a role in strongly emphasising the need for additionality.

Several respondents noted that their projects might have been eligible for funding from other government funding pots such as the Local Growth Fund, Environment Agency funding, flood defence grants or funding from local councils, though not necessarily in the timeframes of when ERDF was available.

### Maintaining impact after a project can be challenging

There was a widely held view that **projects which engaged with beneficiaries to advocate business change were able to sustain outcomes after the project was completed**. For some projects, the ability to sustain outcomes had been achieved. One interviewee considered their project to have had a sustained impact given the 'project was about winning hearts and minds by getting alongside businesses and making challenging targets real with simple, tangible results'. This ultimately enabled business to understand the importance of energy savings as a cost-saving metric, which prompted 'a number of businesses [to make] environmental strategies on the back of the project'. The growing significance of environmental outcomes, even after the project was completed by beneficiaries, has therefore enabled ESIF outcomes to be sustained over a long period.

<sup>45</sup> Data from MHCLG based on ERDF/ESF evaluations.

<sup>46</sup> One example given was around road infrastructure. Little investment in roads was seen as being driven by low economic returns. However, the social benefit of road infrastructure, leading to interconnectedness and increased economic activity, was seen as important. These considerations were seen as the market failure for which government should invest in road infrastructure.

However, for other projects, **a number of interviewees reported difficulty in maintaining engagement with their beneficiaries**, so the ‘momentum’ of targeting outcomes was attenuated at the end of the project. The extent to which positive outcomes are realised is also limited by the fact that, as one interviewee recognised, ‘organisational learning is rarely, if ever, permanent’. This example highlights that, in cases where embedded knowledge and the drive to achieve outcomes is lost, it can be difficult for a beneficiary organisation to achieve a sustained impact.

## 6 ISSUES UNIQUE TO ENVIRONMENTAL OBJECTIVES

This chapter brings together the responses from across our in-depth interviews and workshops to draw out a number of issues that affect the likely effectiveness of ERDF and ESF funding in delivering environmental objectives. Three themes are the focus of this chapter as these are the areas where issues specific to achieving environmental objectives were identified. They are the relevance of funding priorities; the nature of project applications, selection and delivery; and the cross-cutting environmental theme. Where relevant, this chapter also refers to evidence from the 2005 Fraser report<sup>47</sup>, the only substantive paper identified as part of our evidence review. Many of the findings and recommendations of the Fraser report still appear to be relevant, mainly those centred around dedicated personnel as being instrumental in improving environmental integration and the environmental impact of programmes.

### SUMMARY OF KEY FINDINGS

#### Funding priorities

There was a widely held view across our interviews and workshops that ERDF and ESF emphasise key local environmental priorities. The scale and ringfenced nature of the funding was widely regarded as critical for tackling local environmental objectives. The consistency of environmental priorities over time and across funds was also repeatedly mentioned as being of particular importance.

There was an apparent majority view at our workshop on environmental objectives that some of the existing ESIF environmental priorities would benefit from being refined or re-emphasised to tackle important local issues within England. There were also widely held concerns, expressed at the workshop, that the lack of data on local environmental outcomes made the role of ESIF committees very difficult in deciding prioritisation of local environmental issues.

Whilst restrictiveness of interpretation of the ERDF funding rules by the managing authority was criticised by some interviewees and workshop participants for preventing some local environmental projects from being pursued, there was a widely held view that flexibility had been demonstrated by the managing authority and where it had, this had led to positive benefits.

#### Project selection, applications and delivery

For environmental projects, local environmental champions were widely regarded by interviewees and workshop participants as key to effective delivery.

Local environmental issues frequently span administrative boundaries but delivering environmental projects across LEP boundaries was widely regarded as challenging because fund administration is handled by individual LEPs.

<sup>47</sup> Department for the Environment, Food and Rural Affairs, Fraser Associates, The Rural Development Company (2005)

**The environmental cross-cutting theme**

The environmental cross-cutting theme was widely viewed as important for enabling a focus on the environment that would be completely absent otherwise, but measuring its achievements can be difficult.

Workshop participants expressed a clear view that the effective delivery and measurement of environmental benefit was significantly enhanced when there were dedicated environmental staff at a local level.

## 6.1 Relevance of ERDF and ESF funding priorities

### ERDF and ESF focus on key environmental priorities

There was a widely held view across our interviews and workshops that **the ERDF Operational Programme was focused on key environmental priorities that needed to be tackled** by local areas.

### Consistency of priorities over time and between funds is key to tackling local environmental issues

**The consistency of environmental priorities targeted by ERDF over time was widely felt to be critical to achieving environmental priorities.** This was particularly noted by interviewees with respect to priorities related to flood defence and reducing greenhouse gas emissions, which saw a consistent set of priorities across both the 2007-13 and 2014-20 funding periods. It was widely agreed that environmental schemes tend to take time to deliver, and stable and consistent priorities and funding were key to their achievement. The view from participants undertaking capital-intensive environmental projects was that these types of project, which are necessarily multi-year in nature, would have been significantly and detrimentally reduced in scale if annual funding only had been available. Thus the **multi-year nature of funding was seen as critical** by interviewees, for many environmental projects.

**The integration and holistic approach to ERDF and ESF funding** in 2014-20 in terms of both relevant priorities and outcomes (e.g. environment, employment etc.) was **widely viewed as a key enabler** for local areas being able to use the funds to tackle local environmental priorities. Several interviewees noted, for example, that ESIF funding ensured that their projects were not limited to one priority or theme but were able to target several different themes to most effectively address local needs.

### The cross-cutting theme is important

The **sustainable development cross-cutting theme**, whilst not perfect in execution, was also **widely regarded by interviewees and workshop participants as important for targeting local environmental priorities** that would go totally unaddressed in its absence. The importance of the cross-cutting theme was seen as instrumental in ensuring all projects were striving to reduce their environmental impact, even though certain projects did not have environmental improvement as a primary objective.

### There has been some beneficial flexibility in the application of priorities by the managing authority

There **was a widely held view by workshop participants that flexibility in the scope of priorities was essential** so that the changing needs of areas and unnecessary restrictions in the application of the funding can be revisited in a timely manner. One respondent mentioned the restriction on the use of Priority Axis 4B funding<sup>48</sup> as an example of flexibility in priorities. Before September 2017, it was only possible to calculate CO2 savings stemming from energy efficiency and not resource efficiency under Priority Axis 4B. This changed in September 2017, meaning that CO2 savings which were achieved through resource efficiency, for example a reduction in water consumption, could be included under Priority Axis 4B funding.

Another respondent noted the rewriting of Priority Axis 5 by the managing authority<sup>49</sup> in September 2017 as good evidence of flexibility. The interpretation of Priority Axis 5 was expanded to clarify that the areas eligible for flood defence spending support were not limited to the east coast, north west and south west, but included other areas where flooding was having a significant impact.

### But there are important local environmental objectives that need a heavier emphasis by the managing authority

There was an apparent majority view in our environmental workshop that whilst most key environmental priorities were reflected in the ERDF and ESF priorities, **several important local environmental objectives were not being given sufficient prominence** within the current Operational Programme. Participants agreed that three ESIF environmental priorities should be refined, re-emphasised or included for the first time in the Operational Programme:

- **Environmental priorities should shift to enhancing the natural capital of an area, promoting nature recovery and continuing to focus on enhancing biodiversity**, and not simply focus on preventing further degeneration of the environment.
- There **should be a wider interpretation of climate change adaptation beyond the heightened risk of flooding** to include issues such as impact on food chains.
- There should be a **widening of the definition of which sectors are eligible for funding to support the shift towards a low carbon economy**.

Individual interviewees and workshop participants also identified particular local environmental priorities they felt were difficult to address because of blind spots in either the ESIF funding priorities or the national translation of these funding priorities. For example, the rules associated with areas such as retrofitting buildings were mentioned by one interviewee as an area where funding rules made targeting those priorities difficult. Other gaps noted by participants included smart

<sup>48</sup> Priority Axis 4B funding is funding allocated to a certain priority axis, in this case priority axis (PA) 4.B.

<sup>49</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/654164/170911\\_ERDF\\_MA\\_determination\\_on\\_Strategic\\_Environmental\\_Assessment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/654164/170911_ERDF_MA_determination_on_Strategic_Environmental_Assessment.pdf)

energy generation, green transport options and greater retention of recyclable materials.

### Local prioritisation is hindered by the lack of local environmental data and knowledge of what good looks like

**Many participants noted issues with environmental priorities they regarded as important for their area not being given sufficient prominence in local delivery by their ESIF committees.** Waste management and resource efficiency were seen as particular examples of this by one participant.

**It was widely felt that the lack of relevant data on local environmental outcomes made prioritisation by ESIF committees extremely difficult.** Interviewees and workshop participants also proposed a number of other reasons why ESIF committees might face challenges. Some participants noted that some ESIF committees lack the knowledge of what a good environmental project looks like due to a lack of interactions with relevant local stakeholders. Other participants noted that the fact that environmental priorities were set out by the Operational Programme and not specifically by the local area may have resulted in some existing projects being adapted to fit these objectives rather than designed specifically with the objectives in mind.

## 6.2 Ease of project delivery

A wide range of issues were highlighted by participants as key enablers or barriers to successful project delivery. Many of these were common to both projects focused on environmental and rural objectives and have already been discussed above. Specific issues raised in the context of environmental projects are highlighted here.

### Local environmental champions were key to delivery

There was a widely held view that **environmental projects worked most effectively where they had environmental champions** who were passionate about achieving environmental outcomes and building sustainability into the lifecycle of projects. One example given in an interview was their ability to embed environmental objectives at the start of a project and explain the relevance of environmental objectives as helpful to certain businesses, rather than as a bureaucratic burdensome tick-boxing exercise. The example was an environmental champion explaining that achieving a BREEAM certification for a building was helpful in reducing the building's maintenance and energy costs as well as increasing the value of the building if sold.

### Delivering across administrative boundaries was challenging

Local environmental issues frequently span administrative boundaries. There was a widely held view that **projects that spanned multiple LEP geographies faced significant barriers to delivery.** Working across boundaries led to significant inefficiencies or confusion in terms of delivery. This issue is created by the fact that

ERDF and ESF project applications are tied to specific LEP areas, which creates a significant administrative burden when dealing with multiple LEPs.

## 6.3 Role of the environmental cross-cutting theme

### The cross-cutting theme is important

The environmental **cross-cutting theme was widely viewed as important for enabling a focus on the environment that would be completely absent otherwise**. The cross-cutting theme contributed towards environmental priorities and outcomes for the projects, even those that did not have a core focus on the environment.

### Dedicated environmental staff were key to the effective delivery of the cross-cutting theme

There was a widely held view that the environmental cross-cutting theme had shifted some way from a 'box-ticking exercise' to become an important policy priority. This in part reflects the growing size and urgency of the sustainability agenda at a national and international level.

Workshop participants expressed a clear view that **the effective delivery and measurement of the cross-cutting theme were significantly enhanced when there were dedicated environmental staff** at the project level. In areas where these individuals did not exist, there was a view by some respondents that there was a lack of understanding on how to interpret and deliver the cross-cutting themes. The importance of guidance from the managing authority as well as senior management within other government departments was widely seen as helpful in enabling horizontal delivery.

Projects were regarded as being most successful in achieving horizontal priorities when they focused on how achieving the horizontal environmental theme encouraged the realisation of other priority areas. For example, flood alleviation projects would help preserve the environment and create and preserve jobs.

### There are difficulties in measuring achievements for the cross-cutting theme

There was a view by some participants **that there were inadequate indicators and data available to measure environmental factors such as reductions in CO<sub>2</sub> and that the difficulties in measurement might deter projects** from tackling these issues effectively. Monitoring of the environmental cross-cutting theme was widely considered to be variable and viewed as light touch for ESF projects.

### There could be a role for other cross-cutting themes

Lastly, a number of workshop participants felt that **important environmental objectives, such as preserving habitats, were not focused on in the cross-cutting themes**.

## 7 ISSUES UNIQUE TO RURAL OBJECTIVES

This chapter brings together the responses from across our in-depth interviews and workshops to draw out a number of issues that affect the likely effectiveness of ERDF and ESF funding in delivering rural objectives. This chapter focuses on two areas where issues specific to achieving rural objectives were identified: the relevance of funding priorities and the nature of project applications, selection and delivery. Where relevant, this chapter also refers to wider evidence identified as part of our review.

### SUMMARY OF KEY FINDINGS

#### **Funding priorities**

ERDF and ESF funding for projects in rural areas or delivered to rural beneficiaries was widely seen as addressing some key local priorities. The scale of ERDF funding and its ringfenced nature were widely regarded as significant in being able to achieve projects in urban and rural areas alike, at a scale and a speed that would not be possible in the fund's absence. But at the workshop on rural issues, participants were concerned that some existing priorities were less relevant to rural areas than to urban ones and other important rural priorities such as community development and general workforce skills are inadequately addressed in the current set of funding priorities.

Local LEAs, who were conscious of rural issues within their growth strategy, were widely regarded by interviewees and workshop participants as essential in enabling project delivery to be focused across both rural and urban areas. However, there was an apparent majority view at the workshop that the lack of specific rural targets and the lack of data on rural businesses were key constraints to effective delivery of rural priorities by LEAs.

There was a widely held view by both interviewees and workshop participants that inconsistent guidance over where rural land and certain rural land-based businesses were eligible for funding meant that important priorities in rural areas were often neglected and drove a city-centric approach to some aspects of funding.

#### **Project selection, applications and delivery**

A key barrier identified strongly by interviewees and workshop participants centred on the lack of additional funding to compensate for higher delivery costs or different challenges of delivering in rural areas. The emphasis by the managing authority on digital means of delivery to drive efficiency was felt to be unhelpful for delivering to rural businesses given local connectivity issues.

The fact that some ESF funding comes pre-matched was widely regarded as a key enabler for supporting rural outcomes given their higher cost of delivery.

## 7.1 Relevance of ERDF and ESF funding priorities

### ERDF and ESF focus on some priorities for local areas, but there are gaps

ERDF and ESF funding for projects in rural areas delivered to rural beneficiaries was widely seen as an enabler for addressing some key local priorities. Workshop participants stressed how, when funds are allocated in the UK, there is a much stronger focus on return on investment, which can bias the allocations towards urban areas. European funds, in contrast, focus more on need, which is beneficial for many rural areas.

There was also an apparent majority view at our workshop on rural issues that a number of key rural priorities were not currently adequately covered by ESIF funding:

- community development;
- health, specifically the links between the economy and the ageing population; and
- general workforce skills, specifically around their delivery and relevance in rural settings.

Finally, specific exemptions under the ERDF national eligibility rules about which businesses it is possible to support with funding presents limitations for achieving rural objectives. Farms, hospitality, retail and tourism are all excluded, which presents a challenge because these are the businesses most commonly found in rural areas. Whilst there are other fund mechanisms more targeted at these businesses, there was a concern that they were not adequately addressing some of the issues targeted by ERDF, leaving a gap.

### Pre-matching is particularly valuable for projects focused in rural areas

The fact that some ESF funding comes pre-matched was seen as particularly helpful by a majority of workshop participants in terms of supporting rural outcomes. This reflects a widely and strongly held view that the cost of delivery of many projects is higher in rural areas. This can make seeking match funding that bit harder to achieve in rural areas compared to urban ones.

### Local LEPs can make a significant difference but lack of targets and data are key constraints

Local LEPs which were conscious of rural issues within their growth strategy were widely regarded by interviewees and workshop participants as essential in enabling project delivery to be focused across both rural and urban areas. However, there was an apparent majority view held by workshop participants that the lack of specific rural targets meant that the majority of ERDF funding was more likely to be focused on urban contexts, reducing the ability to target local rural priorities. The lack of data on rural businesses in local areas, especially microbusinesses which are not VAT registered, was also widely seen as a barrier to understanding the needs of rural businesses and promoting projects which target them and any rural challenges they face.

## 7.2 Ease of project delivery

A wide range of issues were highlighted by interviewees and workshop participants as key enablers of or barriers to project delivery. Many of these were common to both projects focused on environmental and rural objectives and have already been discussed above. Specific issues raised in the context of projects delivered in rural areas are highlighted here.

### A lack of recognition of the differences of delivering projects in rural areas hinders effectiveness

A key barrier regarding project delivery in rural areas, which was mentioned by all workshop participants, centred on the lack of additional funding to compensate for higher delivery costs for delivering the same outputs in rural areas. Project delivery in rural areas was hindered due to higher travel costs and rural area sparsity. Several other points were mentioned regarding the differences between delivering projects in rural and urban areas:

- Knowledge of structural funds is more prevalent in urban than rural areas.
- Project engagement is lower in rural areas and rural areas have worse transport, lower equality and lower digital skills.
- Worse transport and lower visibility of projects in rural areas means that advisory events are more difficult to organise.

In addition, the focus by the managing authority on using digital connectivity as a tool for delivering efficiently was seen as a barrier for delivering to rural businesses rather than urban ones, given a number of rural businesses are less well connected than urban ones.

## 8 CONSIDERATIONS FOR FUTURE FUNDING

This chapter sets out a number of key considerations for any future funding mechanism, drawing on the evidence collected from across our evidence review, in-depth interviews and workshops.

### 8.1 Environmental objectives

European funding recognises and **targets clear areas of market failure in relation to local environmental outcomes.**

In the current round (2014-20), funding is being used to promote research and innovation in environmental technologies, the competitiveness of SMEs (particularly as related to lowering costs associated with carbon), the shift towards a low carbon economy, promoting climate change adaptation, risk prevention and management, preserving and protecting the environment and promoting resource efficiency. In Cornwall and the Isles of Scilly there is also an objective related to creating sustainable transport.

There was a widely held view across our interviews and workshops that **the ERDF Operational Programme was focused on key environmental priorities that needed to be tackled** by local areas. The **scale of ERDF funding and its ringfenced nature were widely regarded as significant** in being able to tackle environmental issues in local areas at a scale and a speed that would not be possible in the fund's absence. ERDF funding was widely regarded as enabling central government funding to stretch a lot further than it otherwise would. **The long-term nature of European funding and the consistency of priorities** were seen as particularly critical in allowing these sorts of local environmental projects to come to fruition. A three-year funding lifetime was seen as being the minimum required for this type of environmental project. **The integration and holistic approach to ERDF and ESF funding** in 2014-20 in terms of both relevant priorities and outcomes (e.g. environment, employment etc.) was also **widely viewed as a key enabler** for local areas being able to use the funds to tackle local environmental priorities.

There was an apparent majority view at our workshop on environmental issues that **some of the existing ESIF environmental priorities would benefit from being refined or re-emphasised to tackle important local environmental issues within England:**

- **Promoting natural capital/nature recovery and protecting the environment** – the focus of policy should not simply be on preventing further degeneration of the environment but should shift to enhancing the natural capital of an area, promoting nature recovery and continuing to focus on enhancing biodiversity.
- **Promoting climate change adaptation, risk prevention and management** – there should be a wider interpretation of climate change adaptation beyond the heightened risk of flooding to include issues such as impact on food chains.

- **Supporting the shift towards a low carbon economy in all sectors** – critical here is a widening of the definition of which sectors are included within the funding.

There were also widely held concerns expressed at the workshop that the lack of data on local environmental issues made the role of ESIF committees very difficult in deciding prioritisation of local environmental issues.

The rules that govern the use of ERDF and ESF funding create challenges that future funding mechanisms could and should address. Restrictiveness of the EU rules themselves, coupled with further restrictions arising from the interpretation of those rules by the managing authority was criticised by some interviewees and workshop participants for preventing some local environmental projects from being pursued. There was a clear view that the managing authorities' interpretation of funding guidance, coupled with changes in that interpretation over time, constrained the ability of projects to focus on important environmental issues and had afforded prominence to a subset of relevant environmental projects (for example a focus on flood risk). However, there was a **widely held view that flexibility had been demonstrated by the managing authority on a number of issues and where it had, this had led to positive benefits.**

A case for further emphasis on environmental protection in the cross-cutting theme should be considered. Despite not being perfect, the theme was **widely regarded by interviewees and workshop participants as important for targeting local environmental priorities** that would go totally unaddressed in its absence. Workshop participants suggested there could be a case for a stronger focus on environmental protection as part of the cross-cutting themes.

There was a widely held view that the environmental cross-cutting theme had shifted some way from a 'box-ticking exercise' to become an important policy priority. This in part reflects the growing size and urgency of the sustainability agenda at a national and international level. Workshop participants expressed a clear view that **the effective delivery and measurement of the cross-cutting theme was significantly enhanced when there were dedicated environmental staff at a local level**

Local **environmental issues frequently span administrative boundaries** but delivering environmental projects across LEP boundaries was widely regarded as challenging because fund administration is handled by individual LEPs.

A number of clear lessons for any future funding mechanism flow from our work:

1. It is important that **future funding continues to focus on local environmental issues, reflecting the enduring and inherent market failures.** The current priorities reflect important local environmental issues.
2. Cross-cutting themes play an important role in delivering local environmental goals. **It would make sense to retain these themes but to consider strengthening the focus on environmental protection within the themes.**
3. **Delivery of cross-cutting themes could be enhanced by ensuring environmental champions** are available to promote environmental objectives and translate them into projects.

4. **Promoting nature recovery and enhancing the environment should be considered for inclusion** as priorities in future funding mechanisms.
5. Other existing environmental objectives should be refined to reflect current widespread local concerns:
  - a. **Widening the interpretation of climate change adaptation** beyond the heightened risk of flooding, to provide support for all necessary adaptation measures.
  - b. **Widening the definition of which sectors** are included within the objective to support the shift towards a **low carbon economy**.
6. Consideration should be given to how to **better support local environmental projects that span administrative boundaries**.
7. Focus should be given to providing **more clarity** to project providers involved in managing ERDF/ESF-funded projects **on rules regarding geographical and sector demarcation**.

## 8.2 Rural areas

ERDF and ESF funding for projects in rural areas or delivered to rural beneficiaries was widely seen by interviewees and participants in the workshops **as addressing several key rural priorities**. These included enhancing the competitiveness of SMEs, promoting research and innovation and supporting the shift towards a low carbon economy. The **scale of ERDF funding and its ringfenced nature were widely regarded as significant in being able to achieve projects** in urban and rural areas alike, at a scale and a speed that would not be possible in the fund's absence. Workshop participants stressed how, when other funds are allocated in the UK, there is a much stronger focus on return on investment, which can bias the allocations towards urban areas. European funds, in contrast, focus more on need, which is beneficial for many rural areas.

But our workshop on rural issues highlighted that **participants were consistently concerned that some existing ERDF and ESF priorities were less relevant to rural areas** than to urban ones and **other important rural priorities such as community development and general workforce skills were not adequately addressed in the current set of funding priorities**.

There was a widely held view by both interviewees and workshop participants that **inconsistent guidance over where rural land and certain rural land-based businesses were eligible** for funding meant that important priorities in rural areas were often neglected and drove a city-centric approach to some aspects of funding.

Workshop participants stressed how, when other funds are allocated in the UK, there is a much stronger focus on return on investment, which can bias the allocations towards urban areas. European funds, in contrast, focus more on need, which is beneficial for many rural areas.

**Local LEPs which were conscious of rural issues within their growth strategy were widely regarded by interviewees and workshop participants as essential** in enabling project delivery to be focused across both rural and urban areas. However, there was an apparent majority view at the workshop that the **lack**

**of specific rural targets and the lack of data on rural businesses were key constraints** to effective delivery of rural priorities by LEPs.

A key barrier regarding project delivery in rural areas which was mentioned by all workshop participants **centred on the lack of additional funding to compensate for higher delivery costs in rural areas**. Project delivery to beneficiaries located in rural areas was hindered due to higher travel costs and rural area sparsity.

Several clear lessons for future funding mechanism flow from our work:

1. It is important **that future funding continues to focus on rural issues**, reflecting the enduring and inherent market failures. The current priorities reflect some pertinent rural issues.
2. Consideration should be given to whether **priorities related to community development and general workforce skills** should be included within any future funding mechanism. These were found to be of relevance to many rural areas. Furthermore, with regards to general workforce skills, the evidence suggests that current ESF project funding may be low in rural areas.
3. Consideration should be given to **recognising the higher cost of achieving the same objective in rural areas**. Funding should either consider explicit recognition of these challenges or should enhance incentives for providers to target the most suitable beneficiaries for funding rather than the cheapest to reach, which tends to focus efforts on urban areas.
4. **A reduction of the minimum ERDF funding threshold, currently set at £500,000, should be considered to promote locally relevant projects** which may fall below the ERDF minimum threshold but above maximum thresholds for other relevant funding mechanisms.

A suggestion made by the workshop group to aid the inclusion of community empowerment as a priority was increasing both the importance and scale of technical assistance in bid writing, specifically regarding projects which tackled social issues. In fact, the use of technical assistance was seen as important in facilitating projects in rural areas more generally and a useful lever for increasing the pipeline of projects related to community development.

Finally, a similar point made, which was previously mentioned, related to understanding that delivering projects in rural areas is more costly than urban ones.

### 8.3 Cross-cutting issues

The main cross-cutting lessons were:

1. Consideration should be given to how to either **provide greater certainty in future funding for providers or to increase the speed of response to claims** to limit the necessity for providers to work at risk. Devolving funding to local areas could allow more direct oversight and ongoing audit, which would reduce the need for unexpected claw backs or delays in approvals.
2. Consideration should be given to **whether there are ways of streamlining some aspects of the application process**, for example the need for state aid

legal advice or for repeated submissions of the same set of information about the project.

3. Consideration should be given to whether future funding mechanisms could **devolve funding to allow more direct oversight and ongoing audit**, to reduce the need for unexpected claw backs or delays in granting funding.
4. Consideration should be given to **different processes for reviewing technical project applications**. Greater use of peer review mechanisms and bringing in of external expertise could be one possible option.
5. Consideration should be given to **creating a platform for sharing knowledge of funding and projects** across the country. This could have the additional benefit of making it easier to share ideas or evidence of success for projects that cut across administrative boundaries.
6. Consideration should be given to **enhancing local knowledge and marketing of ERDF and ESF project opportunities** to avoid a biased range of applications from organisations with pre-existing knowledge of the process rather than from new or smaller providers. The complexity of the application process meant that only providers already familiar with ESIF would be likely to apply, limiting the set of potential providers.
7. Consideration should be given to **potential issues with obtaining match funding** for organisations in more developed areas or for projects which require a large amount of match funding.
8. Consideration should be given to **whether funding and claiming rules are allowing for high quality advisors to be retained** in such a way that the impact of projects is more lasting.

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## ANNEX A ERDF AND ESF POLICY

This annex provides a detailed overview of the European Regional Development Fund (ERDF) and European Social Fund (ESF) policy relevant to the interpretation and understanding of the issues raised by interviewees and workshop participants. It is primarily intended for those unfamiliar with European Structural and Investment Funds (ESIF) policy, to provide the necessary backdrop to interpret and understand the points made in this report.

### Overview of ERDF, ESF and Cohesion policy

The ERDF and ESF are key funding instruments of EU cohesion policy, which aims to achieve balanced economic, social and territorial development. ERDF is specifically focused on investment to support economic growth and job creation, with the aim of reducing regional economic disparities within the EU.<sup>50</sup> ESF, on the other hand, primarily invests in people, with a focus upon improving employment and education opportunities across the European Union. It also aims to help disadvantaged people at risk of poverty or social exclusion.<sup>51</sup> Together with the European Agricultural Fund for Rural Development (EAFRD), the Cohesion Fund (CF), and the European Maritime and Fisheries Fund (EMFF), ERDF and ESF constitute the ESIF that are designed to strengthen cohesion across the EU.

### How Cohesion policy worked from 2007-13

Cohesion policy had three objectives in the 2007-13 period. These were: convergence, regional competitiveness and employment, and European territorial cooperation. These objectives emerged as a result of the Lisbon Agenda, set by the European Council in 2000,<sup>52</sup> which set a new strategic goal for the next decade for the EU to 'become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion'.<sup>53</sup>

### How Cohesion policy worked from 2014-20

Whilst the overall missions of ESIF are defined clearly in the Treaties, policy reforms for the 2014-20 period are derived from the Europe 2020 strategy (the EU's agenda for growth and jobs for 2010-20). For Cohesion policy, the reforms resulted in the establishment of two goals:

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/772819/190121\\_ERDF\\_OP.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/772819/190121_ERDF_OP.pdf)

<sup>51</sup> [https://ec.europa.eu/regional\\_policy/en/funding/social-fund/](https://ec.europa.eu/regional_policy/en/funding/social-fund/)

<sup>52</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/313408/esf-operational-programme-2007-2013-plus-logo.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/313408/esf-operational-programme-2007-2013-plus-logo.pdf)

<sup>53</sup>

[http://www.europarl.europa.eu/summits/lis1\\_en.htm](http://www.europarl.europa.eu/summits/lis1_en.htm)

- Investment for growth and jobs, a goal common to all three categories of regions: less developed, transition and more developed (supported by the ERDF, ESF and CF).
- European territorial cooperation

For the 2014-20 funding round, three structural and cohesion funds (ERDF, ESF and CF) target eleven thematic objectives, with varying emphases and omissions that are detailed below. These eleven broad, thematic objectives are:<sup>54</sup>

1. strengthening research, technological development and innovation
2. enhancing access to, and use and quality of, information and communication technologies (ICT)
3. enhancing the competitiveness of small and medium-sized enterprises (SMEs)
4. supporting the shift towards a low carbon economy
5. promoting climate change adaptation, risk prevention and management
6. preserving and protecting the environment and promoting resource efficiency
7. promoting sustainable transport and improving network infrastructure
8. promoting sustainable and quality employment, and supporting labour mobility
9. promoting social inclusion, combating poverty and any discrimination
10. investing in education, training and lifelong learning
11. improving the efficiency of public administration.

## How ERDF has worked and its objectives

ERDF is a key funding instrument of EU Cohesion policy, which aims to promote economic, social and territorial cohesion, thereby correcting the main regional imbalances of the EU. This funding is specifically focused on investment to support economic growth and job creation to reduce intra- and inter-regional economic disparities within the EU. ERDF is a co-financing mechanism, so its use is contingent on drawing in other investment. It is also not designed to address institutional constraints on growth.

### ERDF objectives: 2007-13

During the 2007-13 funding round, ERDF focused its assistance on thematic priorities reflecting the nature of the ‘convergence’, ‘regional competitiveness and employment’ and ‘European territorial cooperation’ objectives.<sup>55</sup>

More specifically, under the ‘convergence’ objective, Operational Programmes in the Member States aimed to diversify regional and economic structures in the following fields: research and technological development, innovation and entrepreneurship; information society; environment; risk prevention; tourism; investment in culture; investment in transport; energy; investment in education; investment in health and social infrastructures; and direct assistance for investment in SMEs.

<sup>54</sup> [https://ec.europa.eu/regional\\_policy/sources/docgener/informat/basic/basic\\_2014\\_en.pdf](https://ec.europa.eu/regional_policy/sources/docgener/informat/basic/basic_2014_en.pdf)

<sup>55</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=LEGISSUM:g24234&from=EN>

The ‘regional competitiveness and employment’ objective had three main funding priorities:

- Innovation and the knowledge economy, including the improvement of regional research and technological development and innovation capacities, entrepreneurship and creation of new financial instruments for businesses.
- Environment and risk prevention, including restoring contaminated land, encouraging energy efficiency, promoting the use of clean technology in public transport and formulating plans to anticipate and manage natural and technology-related risks.
- Access to transport and telecommunications services of general economic interest, especially by improving secondary networks and encouraging access to ICT for SMEs.

Lastly, the ERDF programme had two cross-cutting themes (themes that require action in multiple fields and as such need to be integrated into all areas of the European funding programmes and be addressed in the dialogue on development of the programmes<sup>56</sup>), which were embedded within project design and followed through into delivery and implementation. These themes were ‘environmental sustainability’ and ‘equality and diversity’. Management and monitoring systems underpinned the mainstreaming of the cross-cutting themes.

The cause of prioritising the environment and its importance as a horizontal cross-cutting theme, for ESF in addition to ERDF, was championed by Environmental Sustainability Theme Managers (ESTMs). These were individuals responsible for the integration of environmental issues in (usually) projects in each Programme Area. These ESTMs could identify those projects that provided strong horizontal benefits and ensure their delivery.<sup>57</sup>

## How ERDF was translated by the managing authority in England for the 2007-13 funding round

During the 2007-13 funding round, priority axes for ERDF varied within each NUTS 1 region (with a separate set of priority axes for Cornwall and the Isles of Scilly). They were determined by Regional Development Agencies and then incorporated into regional programmes. The priority axes for each region were based upon broader European Regulations’ Wider Thematic Objectives and Investment Priorities.

Cornwall and the Isles of Scilly, for example, had the following priority axes:<sup>58</sup>

- innovation and research and development;

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/313408/esf-operational-programme-2007-2013-plus-logo.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/313408/esf-operational-programme-2007-2013-plus-logo.pdf)

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The effectiveness of EU structural funds in delivering the government’s environmental objectives – Department for the Environment, Food and Rural Affairs, Fraser Associates, The Rural Development Company (2005).

<sup>58</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/315870/Cornwall\\_Isles\\_of\\_Scilly\\_Convergence\\_Operational\\_Programme\\_2007-14.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/315870/Cornwall_Isles_of_Scilly_Convergence_Operational_Programme_2007-14.pdf)

- enterprise and investment;
- transformational infrastructure;
- unlocking the economic potential of place; and
- technical assistance.<sup>59</sup>

Alternatively, the Northwest NUTS 1 region had the following priority axes:<sup>60</sup>

- stimulating enterprise and supporting growth in target sectors and markets;
- exploiting innovation and knowledge;
- creating conditions for sustainable growth; and
- growing and accessing employment.

## ERDF objectives: 2014-20

The ERDF is a key funding instrument of EU Cohesion policy, designed to strengthen cohesion across the EU. ERDF requires co-financing, meaning that its use is contingent on drawing on other investment from either public or private sources.

ERDF is specifically focused on investment to support economic growth and job creation, with the aim of reducing regional economic disparities within the EU.<sup>61</sup> In the most recent funding round, 2014-20, ERDF policy in England is designed to support eight of the eleven thematic objectives set out in European Cohesion policy:

- promoting research and innovation;
- enhancing access to, and use and quality of, ICT;
- enhancing the competitiveness of SMEs;
- supporting the shift towards a low carbon economy in all sectors;
- promoting climate change adaptation, risk prevention and management;
- preserving and protecting the environment and promoting resource efficiency;
- sustainable transport in Cornwall and the Isles of Scilly; and
- promoting social inclusion and combating poverty and any discrimination, and providing support.

## How ESF has worked and its objectives

The ESF contributes to the EU's economic and social policy by improving employment and the possibilities of employment. To this effect, it supports Member States' actions in improving the adaptability of workers and enterprises, increasing access to employment, reinforcing the social inclusion of disadvantaged people,

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<sup>59</sup> Technical assistance funds were available to finance the preparatory, management, monitoring, evaluation, information and control activities of the Operational Programme, together with activities to reinforce the administrative capacity for implementing the funds, at national and regional levels.

<sup>60</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/120675/ERDF\\_North\\_West\\_Operational\\_Programme\\_Summary.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/120675/ERDF_North_West_Operational_Programme_Summary.pdf)

<sup>61</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/772819/90121\\_ERDF\\_OP.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/772819/90121_ERDF_OP.pdf)

combating discrimination, increasing and improving investment in human capital and strengthening the capacity and efficiency of administrations and public services.

## ESF objectives: 2007-13

During the 2007-13 funding round, ESF established the national priorities for directing funds in line with the Lisbon agenda and the government's employment and skills strategies. ESF programmes, however, fall within two broad objectives that are shared with ERDF:<sup>62</sup>

1. The convergence objective: aims at speeding up the convergence of the least-developed Member States and regions by improving conditions for growth and employment.
2. The regional competitiveness and employment objective: aims at strengthening regions' competitiveness and attractiveness as well as employment outside the least-developed regions.

Within these priorities, each region developed its own strategy for addressing its distinctive regional, sub-regional and local needs. The distinctive priorities set by England are detailed in the next section .

In addition to covering the convergence and the regional competitiveness and employment objectives, ESF also contained both sustainable development and equal opportunities as horizontal cross-cutting themes.<sup>63</sup> Because of these cross-cutting themes, all activities were expected to take account of relevant economic, environmental and social issues, and some projects may have had a specific environmental focus.

## How ESF has been translated by the managing authority in England for the 2007-13 funding round

For England, there were three priorities for the regional competitiveness and employment objective. These priorities cover the whole of England and Gibraltar except Cornwall and the Isles of Scilly.

There are also three priorities for the convergence objective area of Cornwall and the Isles of Scilly. The broader scope of the convergence objective priorities reflects the wider range of activities that are eligible within convergence areas and the higher intensity of convergence funding.

ESF priorities implemented in England included:<sup>64</sup>

1. Priority Axis 1: Extending employment opportunities (regional competitiveness and employment objective)
2. Priority Axis 2: Developing a skilled and adaptable workforce (regional competitiveness and employment objective)

<sup>62</sup> <https://www.eubusiness.com/topics/social/esf-evaluation-0713/>

<sup>63</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/313408/esf-operational-programme-2007-2013-plus-logo.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/313408/esf-operational-programme-2007-2013-plus-logo.pdf)

<sup>64</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/313408/esf-operational-programme-2007-2013-plus-logo.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/313408/esf-operational-programme-2007-2013-plus-logo.pdf)

3. Priority Axis 3: Technical assistance (regional competitiveness and employment objective)
4. Priority Axis 4: Tackling barriers to employment (convergence objective)
5. Priority Axis 5: Improving the skills of the local workforce (convergence objective, exclusively relevant to Cornwall and the Isles of Scilly)
6. Priority Axis 6: Technical assistance (convergence objective, exclusively relevant to Cornwall and the Isles of Scilly)

## ESF objectives: 2014-20

ESF supports a subset of the 11 thematic objectives of European Cohesion policy that support growth for the 2014-20 period, namely priorities 8-10. ESF objectives are:<sup>65</sup>

**8. promoting sustainable and quality employment and supporting labour mobility**

**9. promoting social inclusion, combating poverty and any discrimination**

**10. investing in education, training and lifelong learning**

In addition to covering the thematic objectives above, ESF may contribute indirectly to other thematic objectives and it continues to contain both sustainable development and equal opportunities as horizontal cross-cutting themes.<sup>66</sup>

## How ESF has been translated by the managing authority in England for the 2014-20 funding round

The Operational Programme in England has chosen three priority axes for ESF in 2014-20 that are based upon the European Regulations' Wider Thematic Objectives and Investment Priorities. These include:<sup>67</sup>

1. Inclusive labour markets, which combines activities to address employment and social inclusion
  - a. Investment priority 1.1: Access to employment for job-seekers and inactive people
  - b. Investment priority 1.2: Sustainable integration of young people
  - c. Investment priority 1.3: Youth employment initiative
  - d. Investment priority 1.4: Active inclusion
  - e. Investment priority 1.5: Community-led local development (CLLD)
2. Skills for growth
  - a. Investment priority axis 2.1: Enhancing equal access to lifelong learning
  - b. Investment priority axis 2.2: Improving labour market relevance of education and training systems

<sup>65</sup> [https://ec.europa.eu/regional\\_policy/en/policy/how/priorities](https://ec.europa.eu/regional_policy/en/policy/how/priorities)

<sup>66</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/313408/esf-operational-programme-2007-2013-plus-logo.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/313408/esf-operational-programme-2007-2013-plus-logo.pdf)

<sup>67</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/750497/ESF\\_operational\\_programme\\_2014\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/750497/ESF_operational_programme_2014_2020.pdf)

## Approach to ERDF and ESF funding within England

The Operational Programme takes the complex economic geography of England into account as the level of investment made by structural funds into different NUTS regions reflects the development needs of the Member States. In the 2014-2020 period, regions are categorised with reference to gross domestic product as 'more developed', 'transition', or 'less developed'. Depending upon the categorisation of regions, structural funds can provide between 50% and 80% of the total financing of a project.<sup>68</sup> The remaining financing can come from match funding, which is obtained from central government department funds, local authority funds or from private and third-sector organisations. This means that the total investment to regions is greater than just the funding provided by the EU.

The complexity of the economic geography of England means that there is large variation within areas and the priority given to each thematic objective will vary across areas. Regional Development Agencies (RDAs) in the 2007-13 period and Local Enterprise Partnerships (LEPs) from 2014 onwards tailor economic development activity to local circumstances and find ways of using public and private investment to tackle barriers to growth.

### Approach for the 2007-13 period

Funds were allocated via RDAs until 2010, when they were abolished and their role in managing structural funds was taken over by the then Department for Communities and Local Growth and the Department for Work and Pensions. These managing authorities have the responsibility of implementing the Operational Programme, which is the main document for setting out the strategy and priorities of ERDF and ESF. ERDF had one Operational Programme per region, whereas ESF had a single Operational Programme for England (with a strong local focus and notional regional allocations).

Each regional ERDF Operational Programme has a local management committee and a growth delivery team to oversee ERDF investment, guide the programme and assess progress. The committees draw their membership from government departments and a wide range of local partners including LEPs, local authorities, higher and further education institutions, environmental bodies, voluntary and private sectors, and the business community.

At the local level, ESF funds are distributed through public agencies such as the Skills Funding Agency, DWP and the National Offender Management Service. These agencies are known as 'co-financing organisations'. Their role is to bring together ESF and domestic funding for employment and skills so that ESF complements domestic programmes. The co-financing organisations contract with the organisations or 'providers' that deliver ESF projects on the ground.

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<sup>68</sup> [https://ec.europa.eu/regional\\_policy/sources/docgener/informat/basic/basic\\_2014\\_en.pdf](https://ec.europa.eu/regional_policy/sources/docgener/informat/basic/basic_2014_en.pdf)

## Approach for the 2014-20 period

The 2014-2020 funding period saw funding for ERDF and ESF nominally allocated to LEPs, who can bring together key players to take a strategic view on how best to deliver its priorities. LEPs bring together local businesses, local government and other key players such as universities, the voluntary and community sector and social and environmental partners, to take a strategic view on how best to deliver growth and jobs in their economic areas.<sup>69</sup> They are typically not accountable, formally constituted bodies but are, instead, partnerships providing a strategic steer and oversight. Partners and sub-committees in LEP territories have played a central role in developing local European Structural and Investment Fund strategies that reveal the economic needs and challenges of specific areas and provide intelligence that helps inform the choice of thematic objective, investment priority and indicative actions within this programme. These priorities have been developed in response to a high-level strategic steer given by the government, setting out the challenges facing the EU and England at economy level and for each relevant thematic objective.

Each LEP area has a sub-committee that provides implementation advice to the managing authorities for the ESIF Growth Programme in England. In Cornwall and the Isles of Scilly, this sub-committee is known as the Integrated Territorial Investment Board. These sub-committees advise the managing authorities on local growth conditions and priorities regarding project call specifications, funding applications and implementation. Their advice is informed by ESIF strategies in each LEP area and is framed within the context of Operational Programmes.

The Growth Programme Board delivers the monitoring and evaluation requirements of EU Regulation 1303/2013 ('the Common Provision Regulations'). The board also delivers non-regulatory, strategic functions. It advises the growth programme managing authorities and the separate Programme Monitoring Committees for the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), helping to align all four funds where possible and ensure that issues are considered across the European growth programme. The board is supported by a small number of national level policy and operational advisory sub-committees.

Across the country, 38 LEP areas and ESIF sub-committees advise the managing authorities on local project calls, applications and some aspects of implementation. There are nine national sub-committees, each focused on different areas of the programme. These include:

1. smart specialisation (innovation)
2. small and medium enterprise competitiveness (including ICT and Financial Instruments)
3. sustainable growth (including low carbon, climate change, the environment and sustainable transport)
4. employment, skills and social inclusion (including community-led local development)

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/772819/90121\\_ERDF\\_OP.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/772819/90121_ERDF_OP.pdf)

5. sustainable urban development
6. performance and dispute resolution
7. evaluation
8. equal opportunities
9. communications.

For the 2014-20 funding round, managing authorities remained consistent with the 2007-13 funding round. The managing authority for ERDF in England remained the MHCLG. The managing authority for ESF remained the DWP. ERDF has one Operational Programme for England for the 2014-20 funding period (unlike the 2007-13 period, which had one Operational Programme per region). ESF continues to have a single Operational Programme for England (consistent with the 2007-13 funding round).

## ANNEX B DETAILED DESCRIPTION OF THE EVIDENCE REVIEW

### Process for the evidence review

To identify potentially relevant papers, we agreed with Defra that we would rely on the following avenues:

- **Google and Google Scholar searches:** We searched on Google Scholar for relevant keywords. We have not relied on other search platforms (e.g. Science Direct and JStor), because past project experience has shown that they provide comparable results, whilst being more difficult to use.
- **European Commission (EC):** The EC gathers studies on selected evaluations in a virtual library and supports an evaluation network which meets three times a year, offering lessons on Cohesion funding.
- **Regional entities in the UK:** In the UK some of the regional entities relying on ERDF/ESF funding have published their own evaluations, e.g. in Cornwall and in the Greater London Authority.
- **Publications uploaded on Gov.uk:** We searched on the publications section of the Gov.uk website for relevant keywords.
- **Liaising with the stakeholder panel and the contacts they provided:** We liaised with the members of the stakeholder panel to ensure that their views on potentially relevant papers were reflected.

Our search process identified a 'narrow' list of 21 studies which have some degree of focus on the three project objectives. Amongst these 21 studies, we identified eight 'key' documents. These key documents answer directly at least one of the project's core objectives. Conversely, the other 13 documents may answer or tangentially answer the project's core objectives, but they may not cover the most recent period, they may not focus on rural or UK areas, or they may offer similar findings to key documents but do so less effectively. We have used these 13 documents to cross check the findings obtained from key documents.

### Narrow list of documents for evidence review

#### Key documents

- AMION Consulting (2015), 'Cornwall and Isles of Scilly 2007-2013 ERDF Convergence Programme: Thematic Evaluation – Overview Report', *ERDF Convergence Programme Evaluation*.
- Bachtler, J. and Begg, I. (2018), 'Beyond Brexit: Reshaping Policies for Regional Development in Europe', *Pap Reg Sci* 97(1), pp.150-170.
- Department for the Environment, Food and Rural Affairs, Fraser Associates, The Rural Development Company (2005), 'The Effectiveness of EU Structural Funds in Delivering the Government's Environmental Objectives', *A Research Project Funded by Defra*.

- Di Cataldo, M. (2016), 'Gaining and Losing EU Objective 1 Funds: Regional Development in Britain and the Prospect of Brexit', *LSE Europe in Question Discussion Paper Series 120*(2016), London School of Economics.
- Di Cataldo, M. and Monastirirotis, V. (2018), 'An Assessment of EU Cohesion Policy in the UK Regions: Direct Effects and the Dividend of Targeting', *LEQS Paper No. 135*, 2018.
- Economic and Social Development (2015), 'Evaluation of the Impact and Economic and Social Return on Investment of Axis 1 and Axis 3 Activities Delivered through the Rural Development Programme for England, 2007-2013, *Paper on Behalf of Defra*.
- European Commission (2018), 'Country Reports' [online] Available at: [http://ec.europa.eu/regional\\_policy/en/information/publications/evaluations?title=Work+Package+1+&themeld=0&ObjectiveId=ALL&typeld=4&countryId=0&periodId=2&fundId=0&policyId=5&languageCode=en&search=1](http://ec.europa.eu/regional_policy/en/information/publications/evaluations?title=Work+Package+1+&themeld=0&ObjectiveId=ALL&typeld=4&countryId=0&periodId=2&fundId=0&policyId=5&languageCode=en&search=1) [Accessed 20/11/2018].
- Regeneris Consulting (2015), 'Economic Efficiency and What Works in Local Economic Policy', *MHCLG's ERDF 2007-2013 Analytical Programme Workstream Two*.

## Other relevant documents

- Armstrong, H., Giordano, B. and Macleod, C. (2018), 'The Durability of European Regional Development Fund Partnership and Governance Structures: A Case Study of the Scottish Highlands and Islands', *Environment and Planning C: Government and Policy* 33(6), pp.1566-1584.
- Bachtler, J., Mendez, C. and Polverari, L. (2016), 'The Contribution of ESI Funds to Jobs and Growth: How are the New Reforms Working?', *European Structural and Investment Funds Journal* 4(3), pp.117-132.
- Bosworth, G., Price, L., Annibal, I., Carroll, T., Sellick, J. and Shephard, J. (2013), 'A Review of the Leader Approach for Delivering the Rural Development Programme for England: A Report for Defra', *Technical Report for Defra*.
- Environment Agency, Landscape Access Recreation, English Heritage, English Nature, East of England European Partnership, ESF, ERDF (2006), 'Promoting Environmental Sustainability through Regional European Funding Programmes: An Evaluation by East of England Project Managers', *European Funding Programmes*.
- European Commission (2007), 'Mapping Progress: Key Findings from the Updates of the Mid-term Evaluations European Cohesion Policy 2000-2006', *EC Working Document*.
- European Commission (2016), 'Ex Post Evaluation of the ERDF and Cohesion Fund 2007-13', *Staff Working Document*.
- European Commission (2018), Key Achievements of Regional Policy [online] Available at: [http://ec.europa.eu/regional\\_policy/index.cfm/en/policy/what/key-achievements/](http://ec.europa.eu/regional_policy/index.cfm/en/policy/what/key-achievements/) [Accessed 20/11/2018].
- Faulk, A. and Wale, C. (2005), 'Leaving a Legacy: a Seminar for Environmental Sustainability Practitioners in Structural Fund Programmes', *Seminar for Environmental Sustainability Practitioners in Structural Fund Programme*.

- Giordano, B. (2012), 'Study on the Relevance and the Effectiveness of ERDF and Cohesion Fund Support to Regions with Specific Geographical Features – Islands, Mountainous and Sparsely Populated Areas', *Analysis for Economic Decisions and European Commission*.
- Macleod, C. (2008), 'Integrating Sustainable Development into Structural Funds Programmes: An Evaluation of the Scottish Experience', *European Environment*, pp.313-331.
- Overman, H. (2016), 'Evidence Review of 10 Area Based Initiatives: EU Programmes', *What Works Centre for Economic Growth*.
- The Countryside and Community Research Institute (2013), 'An Assessment of the Social Return on Investment of Axes 1 and 3 of the Rural Development Programme for England', *Paper on Behalf of Defra*.
- Ward, T. (2016), 'WP1 Synthesis Report: Ex Post Evaluation of Cohesion Policy Programmes 2007-2013, Focusing on the European Regional Development Fund (ERDF) and the Cohesion Fund (CF)', *European Commission Report*.

In what follows, we provide a more systematic description of the existing evidence, indicating why we have reached the assessment shown above. As a benchmark against which to assess the available evidence, we describe for each section, what we would consider 'good evidence', leading to a 'High' score in our assessment.

## Scale of ERDF/ESF support

For this objective, good evidence of the scale of environmental support would allow a mapping of the funding received and the outputs/outcomes that funding is focused on at a granular geographic level (e.g. local authorities or below), ideally over time.

On funding, the EC provides data on ERDF/ESF funding at the NUTS 3 level (county, unitary authority and district level) for all three funding rounds as well as a breakdown of the most recent round by priority axis. This is a reasonably granular level of geography and allows some identification of rural areas receiving funding across England.

Planned ERDF/ESF funding devoted to what could be considered environmental outcomes at a high level for the 2014-20 rounds are also available. However, there are several limitations with this data:

- It is for England only and provides no ability to understand the variation within the country.
- It relates only to planned funding for the 2014-20 period and not to actual spend in previous periods.
- The environmental objectives are only captured at a very high level, which could over- or understate the focus of funding on the environment.

On outputs/outcomes, economic outcomes have been mapped across different funding rounds at the NUTS 2 level of geography, which equates roughly to a grouping of counties within England. This is not a level of geography at which it is possible to clearly identify rural areas that have received funding.

The following gaps in the evidence therefore emerge:

- We have incomplete evidence of how funding is allocated to rural areas because the geography is relatively high level.
- We have no evidence of the scale of environmental funding before 2014 and 2014-20 evidence is very high level.
- We have no evidence of how the distribution of environmental support has varied across the country or by objective.
- We do not have evidence of projects specifically targeting rural outcomes at a level of geography that enables us to identify the rural areas where those outcomes have been targeted.

## Effectiveness of ERDF/ESF support for environmental outcomes

For this objective, ‘good evidence’ on effectiveness of support for environmental outcomes would need to focus on the impact of funding on environmental objectives in the UK, using a credible counterfactual (i.e. what would have happened in the absence of support) for a relatively recent period (e.g. at least the 2007-13 funding round).

Evidence is generally far less comprehensive on environmental projects. The only significant evidence was that commissioned by Defra to analyse the impact of ERDF on promoting environmental outcomes in the 2000-06 period (the Fraser report).<sup>70</sup> The report relied on a qualitative methodology (surveys and stakeholder consultation) and reached the following conclusions:

- Structural Funds seem to have added considerable value in terms of the integration of environmental sustainability into development programmes. This includes, for example, an increase in the re-use of brownfield land.
- Despite variation in the relative performance of different programmes, all programmes added value compared to the background situation in their respective regions according to views expressed by consultees surveyed in the report.
- The more successful regions have been those where environmental champions (who could include representatives of both Competent Environmental Authorities and of environmental and mainstream partners such as NGOs, academics or local authorities) have been involved at the strategic level from the earliest stages of programme development onwards.<sup>71</sup>

However, this means that there are substantial gaps in the evidence base about the impact of ERDF in promoting environmental outcomes after 2006. Given that the ERDF design has changed significantly in the 2007-13 programme, this is a crucial gap.

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<sup>70</sup> Department for the Environment, Food and Rural Affairs, Fraser Associates, The Rural Development Company (2005).

<sup>71</sup> Department for the Environment, Food and Rural Affairs, Fraser Associates, The Rural Development Company (2005, page 134).

## Effectiveness of ERDF/ESF support for rural outcomes

For this objective, ‘good evidence’ on effectiveness of support for rural outcomes would need to focus on the impact of funding on rural areas in the UK, using a credible counterfactual (i.e. what would have happened in the absence of support) for a relatively recent period (e.g. at least the 2007-13 funding round). The design of ERDF/ESF changed significantly in the 2007-13 programme as a result of feedback from the previous rounds, so having recent evidence is particularly valuable.

There is a range of evidence of the effectiveness of EU Cohesion funds in promoting economic outcomes in the UK for different time periods, including the more recent rounds of funding. Two key studies focused on the impact of the ERDF projects on rural areas:

- An evaluation of the Cornwall and Isles of Scilly 2007-13 ERDF Convergence Programme has relied on a mixed-method approach to conclude that there seems to be a positive effect for all objectives.<sup>72</sup> However, there seems to be some variation in the relative magnitude of effects. Whilst funds have, for example, had a limited effect on regeneration, they have caused more significant improvements in innovation, the proportion of people claiming unemployment benefits and the income gap with richer regions.
- Di Cataldo (2016) employed an econometric approach to evaluate the impact of Objective 1 EU structural funding (the highest form of EU aid) on Cornwall and South Yorkshire in the 2000-13 period. The results indicate that Cornwall and South Yorkshire performed better than counterfactual comparisons when receiving Objective 1 funding, by achieving lower unemployment rates. However, South Yorkshire was unable to sustain these gains in 2007-13, after losing Objective 1 status. This suggests that the performance of subsidised areas could be deeply affected by a reduction (or worse, an interruption) of EU aid.

Two further studies add value but do not have a specific rural focus:

- Using data covering the 2000-13 period for the whole of the UK and a robust econometric methodology, Di Cataldo and Monastiriotis (2018) have concluded that the level of funds allocated to regions has a positive and non-exhaustible effect on growth, suggesting that Cohesion policy interventions are productive irrespective of their scale.
- Regeneris Consulting evaluated the 2007-13 funding period with a counterfactual econometric assessment of economic impact using a sample of both urban and rural firms which were ERDF beneficiaries during the period. The study concluded that SME support from ERDF has had a positive impact on firm performance, particularly in terms of firm turnover.

At a high level, the combination of this evidence suggests that:

- ERDF/ESF funding has had a positive economic impact in rural areas;

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<sup>72</sup> AMION Consulting (2015, page 6).

- its impact is likely to vary across different categories of support (e.g. limited effects in relation to regeneration, but a stronger effect on innovation projects); and
- its impact has not always been sustained over time, implying that the effect of support has not always been long-lasting.

The evidence base for this objective is reasonable, but a few gaps remain. Firstly, there is no systematic quantitative study which identifies the impact of ERDF/ESF funding on rural areas across the country (studies either focus on specific rural areas or across all areas). As such, there is no evidence of how funding impacts vary between rural and urban areas and the implications that might have for allocating funding in future. Secondly, there is no systematic evidence of the impact of different types of funding on rural outcomes. For example, we do not know whether ESF projects or different ERDF priority themes deliver more positive impacts.

## Evidence on lessons and future approaches

For this objective, ‘good evidence’ on lessons and future approaches would derive from studies that have focused on environmental outcomes or rural areas in the UK and have attempted to investigate lessons/future approaches for a relatively recent period (e.g. at least the 2007-13 funding round).

### Environmental outcomes

There is systematic evidence on lessons and future approaches for environmental outcomes, but it is not up to date. The Fraser report, focusing on the 2000-06 period, provides the following insights:

- Environmental champions and Environmental Sustainability Theme Managers can play a crucial role, given that the environment is a cross-cutting theme. These environmental champions, who are split by region, would have a strong situational appreciation of how best to direct funds and integrate environmental objectives into projects.<sup>73</sup>
- The appropriate structure for promoting environmental objectives going forward should depend on regional factors.<sup>74</sup> The varying structure for promoting environmental objectives by region would enable authorities to prioritise different objectives depending on where funds would be most appropriate:
  - The north east, for example, has a priority of protecting and enhancing the historic and natural environment by implementing best practice in capital projects.
  - The East Midlands, alternatively, has prioritised enterprise and innovation.
- Defra ought to promote the championing of environmental sustainability (ES) at board level in the Regional Development Agencies (RDAs), the

<sup>73</sup> Department for the Environment, Food and Rural Affairs, Fraser Associates, The Rural Development Company (2005, page 4)..

<sup>74</sup> Department for the Environment, Food and Rural Affairs, Fraser Associates, The Rural Development Company (2005, page 14).

development of a broad concept of ES within Regional Economic Strategies and the adoption of more systematic processes for integrating consideration of ES as part of RDAs' funding processes.<sup>75</sup>

More recently, the evaluation of the Cornwall and Isles of Scilly 2007-2013 ERDF Convergence Programme has drawn some lessons on the environmental cross-cutting theme (CCT). It highlighted that the CCT needs to be better understood and valued by all stakeholders involved in the decision-making, appraising, implementing and monitoring operations.

This leaves the following gaps in the evidence base:

- We are unaware of the impact of recommendations from the Fraser report or whether these recommendations would still be relevant.
- We do not have detailed evidence on lessons and future approaches post 2006 for environmental outcomes. Evidence from Cornwall may not apply to other areas.

## Rural outcomes

There is ample evidence on lessons and future approaches for the design of ERDF/ESF programmes from an aggregate EU perspective or specifically for Objective 1 status regions in England. The key conclusions are summarised below:

- It is important to design an effective transition out of Objective 1 status to ensure that the impact of support is sustained over time.<sup>76</sup>
- Greater coordination is needed between (i) interventions funded by the different structural funds and other programmes, and (ii) across strategy and delivery teams.<sup>77</sup>

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<sup>75</sup> Department for the Environment, Food and Rural Affairs, Fraser Associates, The Rural Development Company (2005, page 14),

<sup>76</sup> Di Cataldo (2016, pages 36, 37) offers some insights on the importance of planning for the transition out of Objective 1 status. EU funds should be used to prepare the less advantaged territories for the moment when, inevitably, the resources will be cut. Not doing so may imply that any improvement obtained during the Objective 1 period will vanish in the long term. The legacy dimension of funds will therefore be an important consideration in determining their role going forward. When designing and implementing development projects, EU Objective 1 regions should think carefully about what the legacy of the interventions will be. This could be achieved by considering compensatory policies that support transitions in funding environments whereby funds are incrementally 'phased-out' rather than ending abruptly.

<sup>77</sup> The evaluation of the Cornwall and Isles of Scilly 2007-13 ERDF Convergence Programme (AMION Consulting 2015) has drawn several lessons, linked to the need to achieve greater coordination among a number of dimensions. In particular:

Greater integration is needed between interventions funded by the different structural funds and other programmes. There is also a need for closer alignment of projects within a future programme (such as between business support and innovation themes);

Those with responsibility for delivery should be involved in the development of strategies to create a sense of ownership and to ensure that projects are deliverable (i.e. integration between strategy and delivery teams);

More collaboration and learning should be encouraged between teams and projects with related objectives, for example the SIF teams, technical assistance teams and business support providers; and Local champions' involvement and accountability are needed to make things happen at a local level particularly where regeneration or community economic development aims are important.

- It is important to differentiate policy design to suit the geographical specificities of the region receiving support.<sup>78</sup>
- The concentration of funds in specific investment categories does not appear to bear an advantage, whereas the targeting of investments so that they match the specific pre-existing weaknesses of each region is crucial.
- Innovation, human capital and effective institutions are three crucial dimensions for future policy.<sup>79</sup>

Whilst this evidence is likely to have cross-cutting relevance, there is a gap in evidence about specifically what approaches work and do not work for rural areas in England.

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<sup>78</sup> In a paper focusing on mountainous and sparsely populated areas across Europe, Giordano (2012) concludes that there needs to be a more explicit recognition of geographical specificities at each key stage in the ERDF programming process. For example, scattered highland communities are likely to have a higher cost of service provision. In a forward-looking piece on the future of EU Cohesion policy, Bachtler and Begg (2018) conclude that we must recognise the importance of 'place' and the need for local differentiation of policy responses by authority.

<sup>79</sup> Bachtler and Begg (2018) identify these as crucial dimensions for future policy. In particular: innovation improves as a result of both technological development and the concentration of occupations, ultimately bringing about greater growth; human capital is of importance to development as a skilled labour force 'enhances rapid process and organisational innovation'; and effective institutions are of importance to development given that they support local actors in building up agency, trust and social capital to 'change beliefs and to experiment with institutions and democratic participation'. As a result, effective institutions have the capacity to foster the optimal conditions for bottom-up development strategies.

## ANNEX C TOPIC GUIDES

The topic guides reported below were used to conduct the interviews which qualitatively gathered evidence on the effectiveness of ERDF and ESF as well as lessons for future approaches.

### Environmental topic guide

The topic guide below, used to interview individuals who were involved in projects with an environmental focus, was split into three. One part has questions for project providers, who are closer to the delivery of the project, whilst another part has questions for third-party individuals with less experience of project delivery but more experience around how the project interacted and helped local environmental priorities. A third part is dedicated to stakeholders who are involved at a strategic level with ERDF and ESF funding, such as individuals involved in delivering environmental objectives through ERDF at a national level.

### Questions for project providers

#### Introduction (5 minutes)

1. Provide an overview of Defra's research project
2. Provide an overview of confidentiality: no comments will be attributed to individual organisations, but the project will be described in detail in final report
3. Ask interviewees to introduce themselves:
  - a. What is your role within your organisation?
  - b. What sort of experience have you got with EU Cohesion funds (ERDF, ESF and EAFRD)?
  - c. What was your involvement within the specific project [project name]?

#### The project (10 minutes)

4. Could you provide us with a quick overview of the project?
5. What, from your perspective, were the key objectives and outcomes of [project name]?
6. Do you recall how the project [project name] aligned with the priorities set by the Operational Programme (OP)?
7. What were the key activities that the organisation conducted within the project? By activities, we mean the key tasks that had to be undertaken for this project to complete.
8. What outputs did the organisation achieve with this project? By outputs, we mean the concrete things that the project achieved.
9. What outcomes did the project generate? By outcomes, we mean wider economic or societal achievements that originated from the outputs.

### Application process (15 minutes)

#### 10. How did you become aware of the potential funding?

11. Did you have a specific project in mind when you became aware of the funding or did you develop a bespoke project in response to the funding?
12. How long did it take and what was involved in making the project idea application ready, from the point at which you were made aware of the potential funding?

#### 13. Do you think that you had sufficient support from managing authorities and the intermediate organisation to prepare for the application?

14. What changes could be made to the application process to make it smoother?

#### 15. Would the project have gone ahead without ERDF funding? If necessary, prompt about the following:

- a. No, it wouldn't have gone ahead at all (full additionality)
  - b. Yes, but it would have been smaller in scope (partial additionality)
  - c. Yes, it would have been funded through other means (no additionality)
16. How could the project have been financed, if not through ERDF funding? If necessary, prompt about the following:
    - a. EAFRD funding
    - b. Other government funding
  17. Were there potentially more valuable projects (or aspects to this project) you would have liked to pursue but could not, especially with an environmental focus? If so, why? If necessary, prompt about the following:
    - a. Lack of time/resources, lack of co-financing partners and/or no alignment with priorities set by the OP/LEP
  18. If so, were these areas served by alternative government funding? If necessary, prompt about the following:
    - a. EAFRD funding
    - b. Other government funding

### Implementation (15 minutes)

#### 19. Did your organisation receive the funding as planned? If necessary, prompt about the following:

- a. Received the funds with a delay
  - b. Encountered unexpected bureaucratic burden
  - c. Was the project delivered in line with the original project plan? If not, why?
20. What helped the project achieve its objective? In other words, what were the key enablers? If necessary, prompt about the following:
    - a. Support received from managing authority
    - b. Support received from EC and the wider EC network (e.g. project providers in other countries)
    - c. Internal skills and expertise
    - d. Support from local or international ERDF network

21. What hindered the success of the project? In other words, what were the main barriers? If necessary, prompt about the following
- Lack of support from managing authority
  - Lack of internal skills and expertise
  - Lack of skills/capabilities in the local areas
- 22. Was there anything specific to the fact that you received ERDF funding that helped deliver this project? Was there anything related to ERDF funding that hindered it?**
23. Beyond ERDF funding, what did you think works well and works less well on the project? Are there any lessons for future projects? For instance:
- Did you experience any challenges with any of the activities?
  - Were there any of the activities that were more particularly successful? If so, why?

### Impact (10 minutes)

- 24. Referring to the outcomes the project achieved, do you think the same outcomes (e.g. decrease in CO2 emissions) could have been achieved in other ways if [project name] had not occurred?** If necessary, prompt on the following:
- The same outcomes could not have been delivered without the project (full additionality)
  - The same outcomes would have occurred without the project, but they would have been delivered more slowly or at lower scale (partial additionality)
  - The same outcomes would have occurred anyway (no additionality)
- 25. What were the distinctive features of the project which underpin this conclusion? If necessary, prompt on elements such as:**
- Project was a trailblazer/unique (full additionality)
  - Very specific targeting at a problem (full additionality)
  - Project provider brought some unique skills into the local area (full additionality)
  - The initiative had a uniquely effective design with respect to comparable projects (partial additionality)
  - Other projects were also trying to tackle this issue but not as good/would have taken longer/would have been at a smaller scale (partial additionality)
  - Another organisation was also tackling same problem to same quality at the same time (no additionality)
- 26. Were there any unintended consequences?** Were there other positive or negative outcomes of this project that were not foreseen at the design phase but came to fruition?
27. Have the outcomes been maintained? If not, why not?

### Final remarks (5 minutes)

28. Would you have any questions for us?
29. **We are planning a workshop on lessons and future approaches, with multiple stakeholders involved in Cohesion funds. Would you be interested in taking part?** Would you like to receive an invitation? If necessary, clarify that stakeholders are likely to be:
  - a. Project providers
  - b. Representatives from managing authorities
  - c. Representatives from national and local ESIF sub-committees
30. Would you have any follow-up documentation or data to share with us? If necessary, prompt on the following:
  - a. Documents that add evidence to your observations
  - b. Documents that provide details of the project that can be included in our write up
  - c. Data or analysis clarifying impact and/or additionality
31. Recap next steps: we will share a project-specific write up that would only be used internally for the drafting of the final report. This will give you a chance to verify whether the information provided is correct

## Questions for third-party organisations

### Introduction (5 minutes)

1. Provide an overview of Defra's research project
2. Provide an overview of confidentiality: no comments will be attributed to individual organisations, but the project will be described in detail in final report
3. Ask interviewees to introduce themselves:
  - a. What is your role within your organisation?
  - b. What sort of experience have you got with EU Cohesion funds (ERDF, ESF and EAFRD)?
  - c. What was your involvement within the specific project [project name]?

### The project (5 minutes)

4. Could you provide us with a quick overview of the project?
5. What, from your perspective, were the key objectives and outcomes of [project name]?
6. Do you recall how the project [project name] aligned with the priorities set by the Operational Programme (OP)?

### Context (15 minutes)

7. How significant has ERDF funding been for your local area in terms of achieving local priorities, especially from an environmental standpoint?

8. **Thinking back to the project funding round, do you think that the OP (for 2007-2013) or the LEP (for 2014-2020) was able to target the right priorities for your local area, especially from an environmental standpoint? If not, what were the constraints?**
9. Was the OP or LEP constrained by the EC guidelines or other factors? If so, in what way?
10. Is your perspective on the relevance of the priorities pursued different for this round (for this project) as compared to other funding rounds? If so, why?
11. **Were there any other priority areas that should have received more attention?** If so, were these areas served by alternative government funding? If necessary, prompt about the following:
  - a. EAFRD funding
  - b. Other governmental funding
12. Are there other areas that you continue to regard as priorities but that no funding currently allows to be addressed?
13. Do you think that the managing authority communicated effectively the local priorities to a wide range of potential providers? How did they achieve this?

#### Application (15 minutes)

14. **Do you think that the specific project [project name] would have gone ahead without ERDF funding?** If necessary, prompt about the following:
  - a. No, it wouldn't have gone ahead at all (full additionality)
  - b. Yes, but it would have been smaller in scope (partial additionality)
  - c. Yes, it would have been funded through other means (no additionality)
15. How could the project have been financed, if not through ERDF funding? If necessary, prompt about the following:
  - a. EAFRD funding
  - b. Other government funding
16. **Do you think that there is a good volume and mix of applicants coming forward? If not, what do you think constrained this?**
17. Do you think that it was easy for [specific provider for project] and other providers to easily showcase: i) relevance and consistency with priorities; (ii) evidence of additionality?
18. Do you think there were improvements that could be made to the application process?
19. More broadly, did potential project providers manage to identify and scope the 'right' type of projects, from your perspective? What were the relevant factors behind this? Were there key types of projects or areas of priority that were poorly served by applications? If necessary, prompt about the following:
  - a. Adequate support from managing authorities, intermediate organisations and the EC
  - b. Skills and capabilities on the part of the providers

20. Were there any project opportunities potentially valuable for the local areas that were not pursued? If so, why was that the case? If necessary, prompt about the following:
- a. Lack of time/resources, lack of co-financing partners and/or no alignment with priorities set by the OP
21. **Do you think that the managing authority has been able to identify the projects that delivered the best value against the priorities set in the OP? Why was this the case?** If necessary, prompt about the following:
- a. Availability of resources, availability of information received from providers and /or skills of evaluation team

### Implementation (5 minutes)

22. Do you think that the project [project name] was delivered successfully? Did it perform in line with similar projects in the same local area or elsewhere or better?
23. What helped the project achieve its objective? In other words, what were the key enablers? If necessary, prompt about the following:
- a. Support received from managing authority
  - b. Support received from EC and the wider EC network (e.g. project providers in other countries)
  - c. Internal skills and expertise
  - d. Support from local ERDF network
24. What hindered the success of the project? In other words, what were the main barriers? If necessary, prompt about the following
- a. Lack of support from managing authority
  - b. Lack of internal skills and expertise
  - c. Lack of skills/capabilities in the local areas
25. **Was there anything specific to the fact that it received ERDF funding that helped deliver this project? Was there anything related to ERDF funding that hindered it?**
- a. Support from local ERDF or international network
  - b. Lack of skills/capabilities in the local areas

### Impact (10 minutes)

26. **Referring to the outcomes the project achieved, do you think the same outcomes (e.g. decrease in CO2 emissions) could have been achieved in other ways if [project name] had not occurred?** If necessary, prompt on the following:
- a. The same outcomes could not have been delivered without the project (full additionality)
  - b. The same outcomes would have occurred without the project, but they would have been delivered more slowly or at lower scale (partial additionality)
  - c. The same outcomes would have occurred anyway (no additionality)

27. **What were the distinctive features of the project which underpin this conclusion?** If necessary, prompt on elements such as:
- Project was a trailblazer/unique (full additionality)
  - Very specific targeting at a problem (full additionality)
  - Project provider brought some unique skills into the local area (full additionality)
  - The initiative had a uniquely effective design with respect to comparable projects (partial additionality)
  - Other projects were also trying to tackle this issue but not as good/would have taken longer/would have been at a smaller scale (partial additionality)
  - Another organisation was also tackling same problem to same quality at the same time (no additionality)
28. **Were there any unintended consequences?** Were there other positive or negative outcomes of this project that were not foreseen at the design phase but came to fruition?
29. Have the outcomes been maintained? If not, why not?

### Final remarks (5 minutes)

30. Would you have any questions for us?
31. **We are planning a workshop on lessons and future approaches with several stakeholders involved in Cohesion funds. Would you be interested in taking part? Would you like to receive an invitation?** If necessary, clarify that stakeholders are likely to be:
- Project providers
  - Representatives from managing authorities
  - Representatives from national and local ESIF sub-committees
32. Would you have any follow-up documentation or data to share with us? If necessary, prompt on the following:
- Documents that add evidence to your observations
  - Documents that provide details of the project that can be included in our write up
  - Data or analysis clarifying impact and/or additionality
33. Recap next steps: we will share a project-specific write up that would only be used internally for the drafting of the final report. This will give you a chance to verify whether the information provided is correct

## Questions for stakeholders

### Introduction

- Provide introduction to the interview structure
- Provide an overview of Defra's research project
- Provide an overview of confidentiality: no comments will be attributed to individual organisations, but the project will be described in detail in final report

4. Ask interviewees to introduce themselves:
  - a. What is your role within your organisation? If necessary, prompt about the following:
    - i. Does their role sit more within encouraging a focus on environmental outcomes at the project level, reporting back to national committees on the status of ERDF/ESF in meeting environmental objectives or both?
  - b. What sort of experience do you have with EU Cohesion funds (ERDF, ESF and EAFRD)?

### Context

5. How significant has ERDF/ESF funding been for your local area, and England more generally, in terms of achieving environmental outcomes?
6. To what extent have projects that have received ERDF/ESF generally been implemented with environmental objective in mind? What role have ERDF/ESF cross-cutting themes played in this?
7. **Thinking back to the project funding round, do you think that the OP (for 2007-2013) or the LEP (for 2014-2020) was able to target the right priorities, especially from an environmental standpoint?**
  - a. Are there any important government environmental objectives, particularly those in Defra's 25-year environment plan, that haven't been met by the ERDF/ESF cross-cutting themes?
8. Has addressing these local environmental needs been hindered by EC guidelines?
9. If so, were these needs served by alternative government funding? If necessary, prompt about the following:
  - a. EAFRD funding
  - b. Other governmental funding
10. How has the environmental sustainability theme within ERDF/ESF changed over time?
11. Have you heard of the Fraser report, published in 2005 by Defra, reflecting the effectiveness of EU funds in delivering environmental objectives? If so, do you think their recommendations have been implemented successfully?

### ***Next question to be asked only if the interviewee is an ESF contact***

12. Have you heard of the GHK report, published in 2011 by DWP, reflecting the evaluation of ESF's role in delivering sustainable development and green jobs? If so, do you think their recommendations have been implemented successfully?

## Application

13. **Do you think that the environmental-related projects would have gone ahead without ERDF/ESF funding? Why?** If necessary, prompt about the following:
- No, it wouldn't have gone ahead at all (full additionality)
  - Yes, but it would have been smaller in scope (partial additionality)
  - Yes, it would have been funded through other means (no additionality)
14. **Do you think that there was a good volume and mix of applicants coming forward? If not, what do you think constrained this?**
15. More broadly, did potential project providers manage to identify and scope the 'right' type of projects, from your perspective? What were the relevant factors behind this? Were there key types of projects or areas of priority that were poorly served by applications? If necessary, prompt about the following:
- Adequate support from managing authorities, intermediate organisations and the EC
  - Skills and capabilities on the part of the providers
16. Do you think that the managing authority has been able to identify the projects that delivered the best value against the priorities set in the OP? Why was this the case? If necessary, prompt about the following:
- Availability of resources, availability of information received from providers and/or skills of evaluation team

## Implementation

17. To what extent do project managers have a clear idea of the environmental cross-cutting themes associated with structural funds ERDF/ESF? To what extent were these themes referred to?
18. To what extent was the implementation of the environmental cross-cutting theme monitored? Were there any examples of benchmarking good practice in the monitoring of the environmental cross-cutting theme?
- Does this vary for horizontal and vertical themes?
19. What was the most effective support to project managers in implementing environmental outcomes?
- Does this vary for horizontal and vertical themes?
  - What role has Technical Assistance and/or Co-financing organisations had in ensuring the cross-cutting themes were being met?

## Impact

20. **Is there anything specific to ERDF/ESF funding which helps deliver environmental outcomes? Was there anything related to ERDF/ESF funding that hindered it?**
- Support from local ERDF/ESF network
  - Lack of skills/capabilities in the local area

21. Did the cross-cutting themes incentivise greater focus on the environment?
22. What helped projects achieve environmental outcomes? What were the key enablers?
  - a. If necessary, prompt about the following:
    - i. Support received from managing authority
    - ii. Support received from EC and the wider EC network (e.g. project providers in other countries)
    - iii. Internal skills and expertise
    - iv. Support from local or international ERDF/ESF network
  - b. Does this vary for horizontal and vertical themes?
23. What hindered projects in achieving environmental outcomes? What were the key barriers?
  - a. If necessary, prompt about the following:
    - i. Lack of support received from managing authority
    - ii. Lack of support received from EC and the wider EC network (e.g. project providers in other countries)
    - iii. Lack of internal skills and expertise
    - iv. Lack of support from local or international ERDF/ESF network
  - b. Does this vary for horizontal and vertical themes?
24. What worked well and less well for ESTMs in promoting environmental outcomes? Are there any lessons for future ESTMs?
  - a. Did you experience any challenges with any of the activities?
  - b. Were there any of the activities that were more particularly successful? If so, why?
  - c. Does this vary for horizontal and vertical themes?
25. To what extent has the presence of an environmental champion (such as an Environmental Sustainability Theme Manager who is involved at a strategic level on the project from the early stages to ensure that it meets environmental targets) been necessary for projects to bring about environmental outcomes?

## Lessons

26. How do you think that environmental outcomes can be better achieved by ERDF/ESF? Prompt with the following suggestions:
  - a. Would it be helpful to increase the knowledge and capabilities of project managers in the environmental cross-cutting theme?
  - b. Would it be helpful to create an environmental cross-cutting theme toolkit to provide managers with training in both how to achieve successful environmental outcomes and monitor their progress in achieving these outcomes?
  - c. Would it be helpful to increase the monitoring of project managers in implementing the environmental cross-cutting theme? If so, how ought this best be implemented?

- d. Would it be helpful to increase the (seemingly limited) number of vertical theme projects?

### Final remarks

- 27. Would you have any questions for us?
- 28. Would you have any follow-up documentation or data to share with us? If necessary, prompt on the following:
  - a. Documents that add evidence to your observations
  - b. Documents that provide details of the effectiveness of ERDF/ESF in promoting environmental outcomes that can be included in our write up
  - c. Data or analysis clarifying findings
- 29. **We are planning a workshop on lessons and future approaches with multiple stakeholders involved in Cohesion funds. Would you be interested in taking part? Would you like to receive an invitation?** If necessary, clarify that stakeholders are likely to be:
  - a. Project providers
  - b. Representatives from managing authorities
  - c. Representatives from national and local ESIF sub-committees

## Rural topic guide

The topic guide below, used to interview individuals who were involved in projects with a rural focus, was split into three. One part has questions for project providers, who are closer to the delivery of the project, whilst another part has questions for third-party individuals with less experience of project delivery but more experience around how the project interacted and helped local rural priorities. A third part is dedicated to stakeholders who are involved at a strategic level with ERDF and ESF funding, such as prominent academics with a specialisation in rural affairs. Two projects were designated as rural and urban comparators, as they served beneficiaries in both urban and rural localities. These urban/rural comparators have a designated set of questions in the topic guides below, aimed at teasing out the difference between scale, effectiveness and lessons for ERDF and ESF projects in rural as opposed to urban areas.

## Questions for project providers

### Introduction (5 minutes)

1. Provide an overview of Defra's research project.
2. Provide an overview of confidentiality: no comments will be attributed to individual organisations, but the project will be described in detail in the final report.
3. Ask interviewees to introduce themselves:
  - a. What is your role within your organisation?
  - b. What sort of experience have you got with EU Cohesion funds (ERDF, ESF and EAFRD)?

- c. What was your involvement with this specific project [project name]?

### The project (10 minutes)

4. Could you provide us with a quick overview of the project?
5. What, from your perspective, were the key objectives and outcomes of [project name]?
6. Do you recall how [project name] aligned with the priorities set by the Operational Programme (OP)?
7. What were the key activities undertaken by your organisation as part of this project? By activities, we mean the key tasks that had to be undertaken for this project to complete.
8. What outputs did the organisation achieve with this project? By outputs, we mean the concrete things that the project achieved.
9. What outcomes did the project generate? By outcomes, we mean wider economic or societal achievements that originated from the outputs.
- 10. How did you ensure that the environmental cross-cutting theme underpinning ERDF/ESF funding was respected? Did this involve you making specific revisions to your original project?**

### Application process (15 minutes)

- 11. How did you become aware of the potential ERDF/ESF funding?**
12. Did you have a specific project in mind when you became aware of the funding or did you develop a bespoke project in response to the funding?
13. How long did it take and what was involved in making the project idea application ready, from the point at which you were made aware of the potential funding?
- 14. Do you think that you had sufficient support from managing authorities and the intermediate organisation to prepare for the application?**
15. What changes could be made to the application process to make it smoother?
- 16. Would the project have gone ahead without ERDF/ESF funding?** If necessary, prompt about the following:
  - a. No, it wouldn't have gone ahead at all (full additionality)
  - b. Yes, but it would have been smaller in scope or slower to come about (partial additionality)
  - c. Yes, it would have been funded through other means (no additionality)
- 17. How could the project have been financed, if not through ERDF/ESF funding?** If necessary, prompt about the following:
  - a. EAFRD funding
  - b. Other government funding
  - c. Reserves
  - d. Loan

18. Were there potentially more valuable projects (or aspects to this project) you would have liked to pursue but could not, especially those with a rural focus? If so, why? If necessary, prompt about the following:
- Lack of time/resources, lack of co-financing partners and/or no alignment with priorities set by the OP/LEP
19. If so, were these areas served by alternative government funding? If necessary, prompt about the following:
- EAFRD funding
  - Other government funding

### Implementation (15 minutes)

20. **Did your organisation receive the funding as planned?** If necessary, prompt about the following:
- Received the funds with a delay
  - Encountered unexpected bureaucratic burden
21. Was the project delivered in line with the original project plan? If not, why?

***For the following questions, for projects that we flag as rural/urban comparator, it is necessary to explore whether findings are different for urban/rural areas.***

22. What helped the project achieve its objective? In other words, what were the key enablers? If necessary, prompt about the following:
- Support received from managing authority
  - Support received from EC and the wider EC network (e.g. project providers in other countries)
  - Internal skills and expertise
  - Support from local ERDF/ESF network
23. What hindered the success of the project? In other words, what were the main barriers? If necessary, prompt about the following:
- Lack of support from managing authority
  - Lack of internal skills and expertise
  - Lack of skills/capabilities in the local areas
24. **Was there anything specific to the fact that you received ERDF/ESF funding that helped deliver this project? Was there anything related to ERDF/ESF funding that hindered it?**
25. Beyond ERDF/ESF funding, what did you think worked well and worked less well on the project? Are there any lessons for future projects? For instance:
- Did you experience any challenges with any of the activities?
  - Were there any of the activities that were more particularly successful? If so, why?

## Impact (10 minutes)

*For the following questions, for projects that we flag as rural/urban comparator, it is necessary to explore whether findings are different for urban/rural areas.*

26. **Referring to the outcomes the project achieved, do you think the same outcomes (e.g. increase in turnover) could have been achieved in other ways if [project name] had not occurred?** If necessary, prompt on the following:
- The same outcomes could not have been delivered without the project (full additionality)
  - The same outcomes would have occurred without the project, but they would have been delivered more slowly or at lower scale (partial additionality)
  - The same outcomes would have occurred anyway (no additionality)
27. **What were the distinctive features of the project which underpin this conclusion?** If necessary, prompt on elements such as:
- Project was a trailblazer/unique (full additionality)
  - Very specific targeting at a problem (full additionality)
  - Project provider brought some unique skills into the local area (full additionality)
  - The initiative had a uniquely effective design with respect to comparable projects (partial additionality)
  - Other projects were also trying to tackle this issue but not as good/would have taken longer/would have been at a smaller scale (partial additionality)
  - Another organisation was also tackling same problem to same quality at the same time (no additionality)
28. **Were there any unintended consequences?** Were there other positive or negative outcomes of this project that were not foreseen at the design phase but came to fruition?
29. Have the outcomes been maintained? If not, why not?

## Final remarks (5 minutes)

30. Do you have any questions for us?
31. **We are planning a workshop on lessons and future approaches with multiple stakeholders involved in Cohesion funds. Would you be interested in taking part? Would you like to receive an invitation?** If necessary, clarify that stakeholders are likely to be:
- Project providers
  - Representatives from managing authorities
  - Representatives from national and local ESIF sub-committees
32. Would you have any follow-up documentation or data to share with us? If necessary, prompt on the following:
- Documents that add evidence to your observations

- b. Documents that provide details of the project that can be included in our write up
  - c. Data or analysis clarifying impact and/or additionality
33. Recap next steps: we will share a project-specific write up that would only be used internally for the drafting of the final report. This will give you a chance to verify whether the information provided is correct

## Questions for third-party organisations

### Introduction (5 minutes)

1. Provide an overview of Defra's research project
2. Provide an overview of confidentiality: no comments will be attributed to individual organisations, but the project will be described in detail in our final report
3. Ask interviewees to introduce themselves:
  - a. What is your role within your organisation?
  - b. What sort of experience have you got with EU Cohesion funds (ERDF, ESF and EAFRD)?
  - c. What was your involvement within the specific project [project name]?

### The project (5 minutes)

4. Could you provide us with a quick overview of the project?
5. What, from your perspective, were the key objectives and outcomes of [project name]?
6. Do you recall how the project [project name] aligned with the priorities set by the Operational Programme (OP)?

### Context (15 minutes)

7. How significant has ERDF/ESF funding been for your local area in terms of achieving local priorities, especially from a rural standpoint?
8. **Thinking back to the project funding round, do you think that the OP (for 2007-2013) or the LEP (for 2014-2020) was able to target the right priorities for your local area, especially from a rural standpoint? If not, what were the constraints?**
9. Was the OP or LEP constrained by the EC guidelines or other factors? If so, in what way?
10. Is your perspective on the relevance of the priorities pursued different for this round (for this project) as compared to other funding rounds? If so, why?
11. **Were there any other priority areas that should have received more attention? If so, were these areas served by alternative government funding?** If necessary, prompt about the following:
  - a. EAFRD funding
  - b. Other governmental funding

12. Are there other areas that you continue to regard as priorities but that no funding currently allows to be addressed?
13. Do you think that the managing authority communicated effectively the local priorities to a wide range of potential providers? How did they achieve this?

### Application (15 minutes)

14. **Do you think that the specific project [project name] would have gone ahead without ERDF/ESF funding?** If necessary, prompt about the following:
  - a. No, it wouldn't have gone ahead at all (full additionality)
  - b. Yes, but it would have been smaller in scope or taken longer to complete (partial additionality)
  - c. Yes, it would have been funded through other means (no additionality)
15. **How could the project have been financed, if not through ERDF/ESF funding?** If necessary, prompt about the following:
  - a. EAFRD funding
  - b. Other government funding
16. **Do you think that there was a good volume and mix of applicants coming forward? If not, what do you think constrained this?**
17. Do you think that it was easy for [specific provider for project] and other providers to easily showcase: i) relevance and consistency with priorities; (ii) evidence of additionality?
18. Do you think there were improvements that could be made to the application process?
19. More broadly, did potential project providers manage to identify and scope the 'right' type of projects, from your perspective? What were the relevant factors behind this? Were there key types of projects or areas of priority that were poorly served by applications? If necessary, prompt about the following:
  - a. Adequate support from managing authorities, intermediate organisations and the EC
  - b. Skills and capabilities on the part of the providers
20. Were there any project opportunities potentially valuable for the local area that were not pursued? If so, why was that the case? If necessary, prompt about the following:
  - a. Lack of time/resources, lack of co-financing partners and/or no alignment with priorities set by the OP
21. Do you think that the managing authority were able to identify the projects that delivered the best value against the priorities set in the OP? Why was this the case? If necessary, prompt about the following:
  - a. Availability of resources, availability of information received from providers and/or skills of evaluation team

### Implementation (5 minutes)

22. Do you think that the project [project name] was delivered successfully? Did it perform in line with similar projects in the same local area or elsewhere or better?
23. What helped the project achieve its objective? In other words, what were the key enablers? If necessary, prompt about the following:
- Support received from managing authority
  - Support received from EC and the wider EC network (e.g. project providers in other countries)
  - Internal skills and expertise
  - Support from local ERDF/ESF network
24. What hindered the success of the project? In other words, what were the main barriers? If necessary, prompt about the following
- Lack of support from managing authority
  - Lack of internal skills and expertise
  - Lack of skills/capabilities in the local areas
- 25. Was there anything specific to the fact that it received ERDF/ESF funding that helped deliver this project? Was there anything related to ERDF/ESF funding that hindered it?**
- Support from local ERDF/ESF network
  - Lack of skills/capabilities in the local areas

### Impact (10 minutes)

***For the following questions, for projects that we flag as rural/urban comparator, it is necessary to explore whether findings are different for urban/rural areas.***

26. **Referring to the outcomes the project achieved, do you think the same outcomes (e.g. increase in turnover) could have been achieved in other ways if [project name] had not occurred?** If necessary, prompt on the following:
- The same outcomes could not have been delivered without the project (full additionality)
  - The same outcomes would have occurred without the project, but they would have been delivered more slowly or at lower scale (partial additionality)
  - The same outcomes would have occurred anyway (no additionality)
27. **What were the distinctive features of the project which underpin this conclusion?** If necessary, prompt on elements such as:
- Project was a trailblazer/unique (full additionality)
  - Very specific targeting at a problem (full additionality)
  - Project provider brought some unique skills into the local area (full additionality)

- d. The initiative had a uniquely effective design with respect to comparable projects (partial additionality)
  - e. Other projects were also trying to tackle this issue but not as good/would have taken longer/would have been at a smaller scale (partial additionality)
  - f. Another organisation was also tackling same problem to same quality at the same time (no additionality)
28. **Were there any unintended consequences?** Were there other positive or negative outcomes of this project that were not foreseen at the design phase but came to fruition?
29. Have the outcomes been maintained? If not, why not?

### Final remarks (5 minutes)

30. Do you have any questions for us?
31. **We are planning a workshop on lessons and future approaches with multiple stakeholders involved in Cohesion funds. Would you be interested in taking part? Would you like to receive an invitation?** If necessary, clarify that stakeholders are likely to be:
- a. Project providers
  - b. Representatives from managing authorities
  - c. Representatives from national and local ESIF sub-committees
32. Would you have any follow-up documentation or data to share with us? If necessary, prompt on the following:
- a. Documents that add evidence to your observations
  - b. Documents that provide details of the project that can be included in our write up
  - c. Data or analysis clarifying impact and/or additionality

Recap next steps: we will share a project-specific write up that would only be used internally for the drafting of the final report. This will give you a chance to verify whether the information provided is correct.

## Questions for stakeholders

### Introduction

1. Provide an overview of Defra's research project
2. Provide an overview of confidentiality: no comments will be attributed to individual organisations, but the project will be described in detail in our final report
3. Ask interviewees to introduce themselves:
  - a. What is your role?
  - b. What sort of experience have you got with EU Cohesion funds (ERDF, ESF and EAFRD)?

## Context

4. How significant has ERDF/ESF funding been for your local area and England as a whole in terms of achieving local priorities, especially from a rural standpoint?
  - a. Are there any major differences between ERDF/ESF funding for urban vs rural areas?
5. **Thinking back to the project funding round, do you think that the OP (for 2007-2013) or the LEP (for 2014-2020) was able to target the right priorities, especially from a rural standpoint? If not, what were the constraints?**
6. Was the OP or LEP constrained by the EC guidelines or other factors? If so, in what way?
  - a. For example, was the geographical allocation of funding (for example the split between Less Developed, Transition and More Developed) reflective of the disparities across the country?
7. Is your perspective on the relevance of the priorities pursued different for this round (for this project) as compared to other funding rounds? If so, why?
8. **Were there any other priority areas that should have received more attention? If so, were these areas served by alternative government funding?** If necessary, prompt about the following:
  - a. EAFRD funding
  - b. Other governmental funding
9. Are there other areas that you continue to regard as rural priorities but that no funding currently allows to be addressed?
10. Do you think that the managing authority communicated effectively the local priorities to a wide range of potential providers? How did they achieve this?

## Application

11. **Do you think that activity funded by ERDF/ESF focused on rural areas would have gone ahead without ERDF/ESF funding? Why?** If necessary, prompt about the following:
  - a. No, it wouldn't have gone ahead at all (full additionality)
  - b. Yes, but it would have been smaller in scope or taken longer to complete (partial additionality)
  - c. Yes, it would have been funded through other means (no additionality)
12. **Do you think that there was a good volume and mix of applicants coming forward? If not, what do you think constrained this?**
13. More broadly, did potential project providers manage to identify and scope the 'right' type of projects, from your perspective? What were the relevant factors behind this? Were there key types of projects or areas of priority that were poorly served by applications? If necessary, prompt about the following:
  - a. Adequate support from managing authorities, intermediate organisations and the EC

- b. Skills and capabilities on the part of the providers
- 14. Do you think that the managing authority were able to identify the projects that delivered the best value against the priorities set in the OP? Why was this the case? If necessary, prompt about the following:
  - a. Availability of resources, availability of information received from providers and /or skills of evaluation team

### Impact

- 15. **Is there anything specific to ERDF/ESF funding which helps deliver rural outcomes? Was there anything related to ERDF/ESF funding that hindered it?**
  - a. Support from local ERDF/ESF network
  - b. Lack of skills/capabilities in the local areas
- 16. What helped projects achieve rural outcomes? What were the key enablers?
  - a. If necessary, prompt about the following:
    - i. Support received from managing authority
    - ii. Support received from EC and the wider EC network (e.g. project providers in other countries)
    - iii. Internal skills and expertise
    - iv. Support from local or international ERDF/ESF network
- 17. What hindered projects in achieving rural outcomes? What were the key barriers?
  - a. If necessary, prompt about the following:
    - i. Lack of support received from managing authority
    - ii. Lack of support received from EC and the wider EC network (e.g. project providers in other countries)
    - iii. Lack of internal skills and expertise
    - iv. Lack of support from local or international ERDF/ESF network

### Lessons for future

- 18. What changes to the delivery of ERDF/ESF funding would you think would help further address the priorities faced by rural England? If necessary, prompt about:
  - a. More technical assistance
  - b. Changes to the way ERDF/ESF funding interacts with other funding sources
  - c. Changing the application process
  - d. Increasing knowledge sharing across the country
- 19. What changes to ERDF/ESF funding would you think would help further address the priorities faced by rural England? If necessary, prompt about:
  - a. Changing the way priorities are set and who sets them
  - b. Changing the location of funding across the country

## Final remarks

20. Do you have any questions for us?

21. **We are planning a workshop on lessons and future approaches with multiple stakeholders involved in Cohesion funds. Would you be interested in taking part? Would you like to receive an invitation?** If necessary, clarify that stakeholders are likely to be:

- a. Project providers
- b. Representatives from managing authorities
- c. Representatives from national and local ESIF sub-committees

22. Would you have any follow-up documentation or data to share with us? If necessary, prompt on the following:

- a. Documents that add evidence to your observations
- b. Documents that provide details of the project that can be included in our write up
- c. Data or analysis clarifying impact and/or additionality

Recap next steps: we will share a project-specific write up that would only be used internally for the drafting of the final report. This will give you a chance to verify whether the information provided is correct.

## ANNEX D WORKSHOP DESIGN

### Introduction

We ran two half-day workshops with 20 stakeholders addressing environmental outcomes and 20 stakeholders addressing rural outcomes.

#### **Key questions to be explored in the environmental workshop:**

- What worked well in the design and delivery of the ERDF/ESF programmes from an environmental standpoint? What worked less well?
- To what extent were the ERDF/ESF programmes able to deliver effectively in terms of both vertical and horizontal integration of environmental concerns?
- What could be changed going forward to ensure that future development funds better achieve environmental policy objectives?

#### **Key questions to be explored in the rural workshop:**

- What worked well in the design and delivery of the ERDF/ESF programmes from a rural standpoint? What worked less well?
- To what extent were the ERDF/ESF programmes able to deliver effectively both across rural and urban areas?
- What could be changed going forward to ensure that future development funds better achieve rural policy objectives?

### Attendance

As can be seen from Figures 12 and 13, there was a wide range of attendees from a number of relevant stakeholders.

**Figure 12 Organisations represented in environmental workshop**

<b>Organisations represented in environmental workshop</b>
ActivePlus
Cornwall & Isles of Scilly LEP
Cornwall Council
Coventry City Council
Defra
Department for Work and Pensions
Environment Agency
Gloucestershire Wildlife Trust, Gloucestershire LEP gFirst
Greater Lincolnshire LEP
Lancashire LEP
Marches Nature Partnership (Marches ESIF sub-committee)
New Anglia LEP
NOMS
North East LEP
Stoke-on-Trent and Staffordshire LEP sub-committee
Tees Valley LEP
The Growth Company
Waveney Valley LAG

Source: *Frontier Economics*

**Figure 13 Organisations represented in rural workshop**

<b>Organisations represented in rural workshop</b>
Big Lottery Fund
Cornwall & Isles of Scilly LEP
Cornwall Council
CPI
Defra
Department for Work and Pensions
Environment Agency
Gloucestershire Wildlife Trust, Gloucestershire LEP gFirst
Greater Lincolnshire LEP
Hertfordshire LEP
Marches Nature Partnership (Marches ESIF sub-committee)
New Anglia Growth Hub (NE LEP)
Oxford Innovation (Cornwall)
Stoke-on-Trent and Staffordshire LEP sub-committee
Thames Valley Berkshire LEP
The Growth Company
Waveney Valley LAG
Waveney Valley Local Action Group

Source: *Frontier Economics*

## Workshop design and running

### Introduction: 5-10 mins

Introduce attendees to scope of workshop as well as key aims and objectives of the workshop.

### Exercise 1 – Barriers and enablers: 50 mins

**Key question to be asked to participants:** *‘What has helped or hindered your ability to use ERDF/ESF to target environmental/rural objectives?’*

**Materials to be used:** Post-it notes and pens for candidates alongside five flipcharts

#### Execution:

#### Phase I – Defining barriers/enablers

Ask participants to place Post-it notes reflecting either barriers or enablers onto five separate flipcharts, each referencing a different category of the theory-based evaluation framework:

- **Targeting the right projects and local priorities** – Things which have helped or hindered ERDF/ESF in targeting the right priorities and attracting the right projects.
- **Application process** – Things which have helped or hindered undertaking and completing applications related to ERDF/ESF.
- **Project delivery** – Things which have helped or hindered delivering projects financed with ERDF/ESF.
- **Delivering outcomes and impacts** – Things which have helped or hindered achieving positive outcomes and impacts from projects financed with ERDF/ESF.

#### If the workshop is rural

- **Rural vs urban** – Barriers/enablers in delivering ERDF/ESF-funded rural projects (as compared to urban ones).

#### If the workshop is environmental

- **Horizontal delivery** – Barriers/enablers in ERDF/ESF projects achieving the horizontal cross-cutting theme of sustainable development.

Ask each participant to include barriers and enablers on a flipchart even though those barriers/enablers might already be present. This potential repetition of barriers/enablers on a certain flipchart will allow an understanding of which barriers/enablers are most important.

#### Phase II – Summarising barriers/enablers

Split attendees into five groups, one for each flipchart, and ask the groups to nominate a volunteer. The group will work together to summarise barriers and

enablers on the flipchart, with the volunteer reporting back a priority listing of the most important barriers/enablers to the group.

**Room set-up:** Set out five flipcharts around the room with a vertical line dividing them into two separate parts; one side for barriers and one side for enablers. Each flip chart should have a title reflecting one of the five elements specified above. Post-its and pens should be present on the tables for participants to write thoughts on the Post-it notes and attach them to the flipcharts.

**Slide to be presented during exercise:** Reference the key environmental/rural objectives targeted within ERDF/ESF over time.

**Feed-in** (if necessary): Add barriers and enablers outlined in project-specific and stakeholder interviews if they have not been included by the participants.

**Output – A mapping of key barriers and enablers across the key categories of the theory-based evaluation, alongside a ranking of these barriers and enablers in order of importance.**

## Exercise 2 – Key objectives for future local needs: 20 mins

**Key question to be asked to participants:** *‘Are the environmental/rural objectives targeted by ERDF/ESF reflective of your current and future local environmental/rural needs? Are there some which are missing?’*

**Materials to be used:** Markers for candidates and a flipchart which should list the main objectives.

### Execution:

#### **Phase I – List main objectives**

Ask each participant to consider the list of environmental/rural objectives reported on the flipchart and consider whether there are ones which are missing.

For **environmental** objectives, we will list the following objectives from the 25-year plan as a starting point:

- Clean air
- Clean and plentiful water
- Thriving plants and wildlife
- Reducing the risks of harm from environmental hazards
- Using resources from nature more sustainably and efficiently
- Enhancing beauty, heritage and engagement with the natural environment
- Mitigating and adapting to climate change
- Minimising waste
- Managing exposure to chemicals
- Enhancing biosecurity

For **rural** objectives, we will use the thematic objectives as reported in the England Chapter of the Partnership Agreement referenced in the most recent RDPE programme document<sup>80</sup> as a starting point:

- Strengthening research, technological development and innovation
- Enhancing access to, and use and quality of, information and communication technologies
- Enhancing the competitiveness of SMEs
- Supporting the shift towards a low carbon economy in all sectors
- Promoting climate change adaptation, risk prevention and management
- Protecting the environment and promoting resource efficiency
- Promoting employment and supporting labour mobility
- Investing in education, skills and lifelong learning

### **Phase II – Vote on key objectives**

Participants are given three Post-it notes, each representing a vote, and are asked to vote for three objectives which are most relevant for their future local needs. They are allowed to vote multiple times for a single objective, if they feel inclined to stress the importance of a single objective. Whilst all priorities are likely to be important, the choice of top priorities should be done on the basis of choosing three priorities which are the most pressing for the local area.

**Slides** – Reminder of what the relevant objectives are, as specified in the above section for Phase I.

**Output – mapping of relevant future local needs, in terms of both those currently considered by ERDF/ESF as well as ones which aren't currently in scope for ERDF/ESF.**

### **Exercise 3 – Lessons for the future: 30 mins**

**Key question to be asked to participants** – *'What are potential lessons learned from past schemes that could help ensure that future funding better addresses the key environmental/rural objectives'*

**Execution** – Split room into two groups and distribute up to a maximum of four objectives between the groups. Ask participants to suggest solutions to meet those objectives, given the key barriers discussed. Each group should consider a solution to meet each objective and these solutions are to be reported back to the group at the end of the exercise.

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<sup>80</sup> RDPE programme document for 2014-20, page 31.  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/730517/rdpe-programme-document.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/730517/rdpe-programme-document.pdf)

**Slide to be presented during exercise** – A reminder of key barriers and enablers identified in Exercise 1, which will be typed up during the execution of Exercise 2 and Exercise 3.

**Output – a consideration of lessons for key environmental/rural objectives.**

Conclusions/wrap up: 10 mins

Discuss broad next steps as well as context on the evidence we have used and how the workshop will be used.

