



EUROPEAN COMMISSION

OBSERVATIONS ON THE UNITED KINGDOM PARTNERSHIP AGREEMENT (CCI 2014UK16M8PA001)

PART I

Introduction

The enclosed observations have been made with regard to the content of the Common Provisions Regulation (CPR)¹ and the applicable fund-specific regulations. They take into account the country specific recommendations (CSRs) made to the United Kingdom and adopted by the Council on 9 July 2013² as well as its supporting analysis (SWD)³. They also take into account the 2014 Commission draft country specific recommendations adopted on 2 June 2014⁴. They are based on the content of the Position of the Commission services on the development of the Partnership Agreement and Programmes in the United Kingdom for the period 2014-2020⁵ (CPP).

The observations refer to the Partnership Agreement (PA) submitted by the United Kingdom on 17 April 2014 (reference Ares(2014)1223807). As it was the case with the informal version submitted in November 2013, the document is made of six different chapters, one overall UK chapter which informs aspects applicable to the whole Member State and five chapters by nation, reflecting the constitutional setup of the country.

The enclosed comments are presented following the structure of the Partnership Agreement template. Issues most critical for the Commission are noted in Part I.

1. ASSESSMENT OF THE UNITED KINGDOM POLICY OBJECTIVES

- The Commission welcomes the changes made to the document which now presents the Member State situation in a more comprehensive way, stating more clearly there

¹ Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 - OJ L 347 of 20 December 2013, p. 320.

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:217:FULL:EN:PDF>

³ http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

⁴ Recommendation for a Council Recommendation on the United Kingdom's 2014 national reform programme and delivering a Council opinion on the United Kingdom's 2014 convergence programme (COM (2014) 429 final of 2 June 2014).

⁵ Ares (2012) 1315758 of 8 November 2012.

where competences pertain to the central government and those which are devolved to the nations. However, there are still inconsistencies in the texts, not least the financial information (further detail is included in point 2 as well as Part II of the present document). The document would benefit from a critical review to ensure full consistency between all chapters. Some titles still refer to the previous version of the PA template; the correct numbers for the headings should be used and references to relevant legislation should be updated in line with the adopted versions of the Regulations.

- Parts 1.1 of the different chapters have been reinforced and, with the exception of the England chapter, provide a clearer explanation of the choices made in terms of thematic objectives (TOs). However, a number of issues will require further clarification/ completion – further detail is given in Part II of this document.
- The UK chapter sets the scene well in terms of challenges and opportunities but it not always possible to link this chapter with the nation-specific ones. Priorities for investment at UK level are not always reflected in the devolved nations' chapters. Better and clearer links must be provided.
- The narrative does not always reflect ongoing discussions on the future European Structural and Investment Funds (ESIF) programmes. The Commission would like to remind the UK authorities that the contents of the proposed PA and the programmes which are being currently reviewed need to be fully in line. Changes made to any of these documents need to be reflected in the others.
- As it was already stated in the informal comments sent by the Commission services in December 2013, applicable legislation for the 2014-2020 programming period requires Member States to concentrate support on the interventions which bring the greatest value added in terms of the Europe 2020 strategy whilst taking into account key territorial challenges, the National Reform Programme and applicable CSRs. The Commission considers that the choice of TOs in the England chapter (all except for TO11) is still too wide and not sufficiently backed by the referenced data. Some of the choices made by the other nations also appear insufficiently backed by the evidence presented (in particular TOs 2, 5 and 7). It is the view of the Commission that further substantiation should be provided which better explains the case for action by the ESI Funds under these TOs. More detail is provided in Part II.
- The England chapter is very unclear and the narrative is insufficient to understand the choices made. As stated last December, the link between the development needs and expected results is inadequate and sometimes inconsistent with the choices made. The text refers to the wishes on the part of the Local Enterprise Partnerships/ partners, without clarifying whether Government agrees with these choices and how these provide the best valued added and impact for the ESI Funds. A better explanation of the underlying intervention logic is necessary.
- The European Social Fund (ESF) intervention logic in the England and Gibraltar chapters is weak. It will be difficult to ensure that the proposed indicators capture the results and outputs of ESI Funds if there is insufficient clarity from the outset regarding what is to be achieved and how funds must intervene to attain these aims. The soundness of the intervention logic needs to be strengthened and clearly shown at PA and OP levels.

- Actions proposed to address the gender gap in the UK chapter, particularly with regard to England, are insufficient. Data and lessons learned from the 2007-2013 England and Gibraltar programme demonstrate that the gender mainstreaming approach is insufficient. Alternative approaches are necessary to meet minimum female participation levels and contribute to closing the gender gap.
- Data on poverty must be completed for all parts of the UK; this should be the basis for both the analysis and the aimed interventions.
- Despite a good description of existing legislative acts in the UK, there is no clear mention of policy measures to address existing payment and employment rate gender gaps. The 10% gender gap in employment rate was one of the issues of the England and Gibraltar programme. An analysis should be made of the barriers faced by women when entering the labour market and measures should be proposed to tackle them. Gender inequality in terms of inactivity rates, should be better addressed in the challenges and opportunities, as should the CSR challenges concerning childcare support, lone parents and the reduction of child poverty in low-income households.
- Inactivity rates for men and women are very different, particularly the proportion of inactive women wanting a job or the differences in full-time equivalent (FTE) jobs. Missing data should be added on women working part-time but looking for a full-time job as well as on the gender pay gap.
- As regards the investment in education, training, vocational training for skills and lifelong learning, the UK has a CSR on the need for apprenticeships to provide advanced and intermediate technical skills. Clarification is however required (see point 7, bullet point 5) on how the ESI Funds will focus on apprenticeships for young people with poor basic skills, in line with the *ex-ante* evaluation recommendations.
- The UK PA highlights social innovation both as a horizontal issue and as a guiding principle, ensuring that new solutions can be piloted and tested locally, and that there will be a distinct role for the third sector and social enterprises. Article 9.1 of the ESF Regulation states that the ESF shall promote social innovation. This can take place in all areas within the scope of the ESF. According to Article 9.2, Member States are required to identify the themes for social innovation that correspond to their specific needs, either in their programmes or during implementation, in particular to test, evaluate and scale up innovative solutions to address social needs. This should be done together with relevant partners, in particular social partners. The PA should explain better the specific measures to be implemented in the context of social innovation and social policy experimentation.
- Maritime and fisheries issues are now more present in the PA text; however, improvements are still necessary, especially in the analytical parts. More emphasis should be put on Blue Growth opportunities, having regard to the potential offered by an island country; this is especially relevant for the UK and England chapters. The analysis of the specificities of maritime areas is still missing in most chapters, namely the UK, England and Northern Ireland. By contrast, there is a good analysis for Scotland. This analysis of maritime/coastal areas should not be confused with analysis of fisheries issues or European Maritime and Fisheries Fund (EMFF)-related questions (as replied by the UK); it relates to the specific features of territories, not of a particular economic sector.

- Following the adoption of the reformed Common Fisheries Policy (CFP), the UK authorities should be able to indicate concrete means for its implementation, namely in terms of landing obligations, reaching maximum sustainable yield (MSY) and reducing overcapacity of the fishing fleet in order to achieve the balance between the fishing capacity and fishing resources and improving competitiveness of the sector (see Part II for country-specific concerns). The way in which this topic is addressed in the devolved countries' chapters varies considerably; this is not in line with the existence of a common policy which is to be implemented over the whole national territory within one single operational programme. The Northern Ireland chapter misses any reference to fisheries and maritime aspects; this could be understood as pointing that Northern Ireland does not intend to avail itself of the EMFF.
- Regarding the EMFF, the text under the TO sections needs to be updated in order to correctly allocate actions of the EMFF to the TOs it is contributing to, i.e. 3, 4, 6 and 8 (see Part II for country-specific suggestions).
- There needs to be a stronger link between the choices made and the financial allocations. Some discrepancies are surprising; as an example it is noted that no funding from the European Agricultural Fund for Rural Development (EAFRD) is foreseen for TO5 in the England chapter, despite a mention in the narrative that the Rural Development Plan for England (RDPE) will support flood remediation through several examples of activities (paragraph 109).
- Further work is necessary as regards the results. Many are still unclear and the Commission has doubts as to how they will be captured. Expected results of investments in all chapters could be much more reflective and comprehensive. In the case of the Scotland chapter, the result indicators will need to be revised in view of the changes being made to programme intervention logic.

The Commission notes that no aggregation of results is available at overall UK level. This does not seem to be in line with UK expectations of there being a way in the 2014-2020 period to present the achievements of the policies at UK level. The Commission would welcome further clarity on this issue.

- The Commission welcomes the inclusion of information on the possible use of financial instruments (FIs). Further clarity would be welcome regarding which funds will be contributing to these FIs. The Commission would like to remind the UK authorities that, in line with regulatory requirements, any support of FIs shall be based on an *ex ante* assessment which must evidence market failures or suboptimal investment situations, as well as the estimated level and scope of public investment needs.
- The Commission welcomes the inclusion of information on the possible fulfilment of applicable *ex-ante* conditionalities (Article 19 and Annex XI of the CPR). From the submission, the Commission understands that the UK considers that all *ex-ante* conditionalities, both general and thematic, are fulfilled except for EACs 7.1 and 7.2.

It is however unclear if EACs are only applicable at devolved level or if there is further information missing which must be provided. Complexity is compounded by a clear mention in certain instances of the fact that, because of devolved arrangements, the relevant information will not be included in the PA (EACs 1.1, 1.2, 4.18.1, 8.6, 9.1, 10.1, 10.2, 10.3 and 10.4,) whereas for others there is no clear reference to the strategies, legal acts or other relevant documents as required by the template. In some instances there is only a general statement according to which the

UK is committed to meeting the objective and that further details will be set out in the programmes.

Some EACs are referenced but it is unclear whether actions linked to them are proposed for funding (for example 6.1 and 6.2).

The UK authorities must assess the fulfilment of all relevant EACs. The Commission would appreciate clear statements regarding: (1) which EACs' fulfilment is to be considered as addressed only at PA level and where fulfilment will need to be demonstrated at OP level; and (2) which EACs should be regarded as applicable at overall UK level and which only at nation level. All relevant information and references need to be included in the text in the UK chapter.

- The PA text needs to be further completed with information on the compliance with the partnership principle, i.e. an indicative list of partners stating their level of involvement. The Commission would ask that information be specified regarding the future managing authority for the England ESF programme and the involvement of civil society partners not represented in the Local Enterprise Partnerships.

2. Financial allocation proposed by the United Kingdom

- The document includes a number of discrepancies between the UK and the national chapters in terms of the content of Table 1.4; for instance, there are issues with the figures around TOs 5 and 6 in the UK chapter which do not seem to stem from rounding. The aggregation of data in the horizontal and vertical axes is also different in the UK and nation chapters, when it should give the same result.
- The aggregation of allocations by thematic objective at UK level does not tally with the total result of the allocations set out in the chapters of the devolved administrations. There are also discrepancies in the national chapters (except in the Gibraltar chapter); allocations do not add up, with different results obtained in the horizontal and vertical axes.
- Figures for the different funds also differ between the UK chapter and the nation chapters. They should also be cross-checked.
- The table included in point 1.7 should also be checked. The amounts for the less developed category of regions remain the same even after the transfer from the other categories.
- EAFRD figures are different in the various financial tables. For example, the amounts of planned transfers from pillar 1 to pillar 2 are unclear or inaccurate, which in turn puts into question the financial breakdown per TO. This needs to be checked and corrected.
- The ESF minimum share on page 79 of the PA does not correspond with the one given in the snapshot on page 5 (table 1.4.3, section 1A). The Commission would ask the UK authorities not to round up figures to facilitate the check of minimum shares and allocations to TOs and types of regions. The allocations for the England Growth Programme are different in the PA, page 85 (EUR 3.309 billion for the ESF) and the snapshot, page 7 (EUR 3.307 billion)

- The financial allocation for the EMFF is still missing. Nevertheless, it should be already possible to provide a qualitative allocation with reference to the TOs that the fund will contribute to (TOs 3, 4, 6 and 8).
- The figure for climate change is missing in all chapters. Although the amounts are to be automatically generated by the Shared Fund management Common IT system (SFC) based on the encoding of the categories of intervention at the level of the programmes, the UK authorities should still provide an estimated total figure in the Partnership Agreement, given that the ESI Funds should contribute to the objective in the 2014-2020 Multiannual Financial Framework of devoting at least 20% of the overall EU budget to climate-related expenditure. The estimate should be based on the methodology for climate change support laid down in the Commission Implementing Regulation (EU) No 215/2014.
- Taking into account the need to optimise the leverage effect of funding, the Commission asks the United Kingdom to identify in which priority axes in the programmes it intends to modulate the co-financing rates in accordance with Article 121 of the CPR and recalls that as set by Article 120 of the CPR the co-financing rate is to be determined on a case-by-case basis and the maximum co-financing rates should not always be applied to their full extent. This does not apply to the EAFRD.

3. Cross-cutting policy issues and effective implementation

- Actions proposed to promote equality between men and women should be completed to efficiently address gender inequalities in terms of employment and payment. As already mentioned, the data and lessons learned from the 2007-2013 programmes demonstrate the limits of the gender mainstreaming approach and require other approaches to address minimum female participation levels and help close the gender gap.
- The sections on sustainable development are unnecessarily long in all chapters and could be shortened to reflect the practical arrangements in place to ensure that the requirements of Article 8 are respected. This should be done by explaining all actions (personnel designated specifically to support environmental integration, networking, investments towards the most resource-efficient and sustainable option, taking life-cycle costs into account) taken by the managing authorities throughout the programmes' whole lifecycle, to avoid or reduce any environmentally harmful effects from interventions and ensure results in environmental and climate benefits.
- The Commission notes the commitment to sustainable development set out in the UK chapter, where the benefits of implementing maritime spatial planning (MSP) are recognised. However, consistency is lacking in the way in which marine protection and biodiversity are addressed across the five chapters:
 - All country-specific chapters should equally address marine biodiversity issues under the sustainable development chapter.
 - Challenges related to the sustainable use of marine resources and marine biodiversity should be translated into concrete strategic actions under TO6 in each chapter.
 - MSP is only mentioned in the UK chapter, and the Marine Strategy Framework Directive (MSFD) is mentioned only in the Scottish chapter.

References to the Natura 2000 network management/objectives or Priority Action Frameworks (PAFs) are also found in other country chapters. A consistent approach in all national chapters when addressing the three key EU legislations (Natura 2000, MSFD and MSP) would be welcome, explaining how the ESI funds will support the UK efforts to implement the relevant legislation and achieve the objectives. Additional information would also be welcome on practical implementation and use of the MSP and Integrated Coastal Zone Management (ICZM) at UK and country level.

- The PA should explain how marine biodiversity will be enhanced and addressed in a coherent manner through the mix of available financial and regulatory tools. Particular attention should be paid to the implementation of key EU Directives (Natura 2000, MSFD and MSP).
- Having regarded the fact that the EMFF is implemented at UK level, clear commitments need to be made and set-ups agreed in the PA on the administrative coordination to ensure an effective implementation of the EMFF. The arrangements proposed between the EMFF monitoring committee and the monitoring committees and/or coordination structures in each devolved administrations are not sufficiently clear. The EMFF monitoring committee needs to remain the core monitoring body of the EMFF where the partnership principle takes place and takes decisions. Any other oversight arrangements in the devolved administrations should not duplicate this monitoring function. The Commission does however recognise that having one monitoring committee per devolved administration could improve transparency between the different partnership levels as regards the EMFF (provided the EMFF managing authority is involved). Enhanced synergies between the management bodies in charge of the ESI Funds would also be beneficial, including from an EMFF perspective.
- It is proposed to maintain the current fisheries local action groups (FLAG) geography in the community-led local development (CLLD) chapter. Such decision is not to be taken at the level of the Partnership Agreement. It should result from the application of the rules/restrictions in the CPR and fund-specific regulations. In particular, the selection of FLAGs should be based on a bottom-up approach, whereby the most relevant local strategies and the best organised groups are selected. No *a priori* decision is to be made in the PA. Assurance should be given that the procedures will be followed and the bottom-up approach encouraged.
- Cooperation with other funds, synergies and clear arrangements/national coordination to ensure an integrated approach should also be described.

4. Other critical issues

- The England chapter includes very detailed information on arrangements for the inclusion of the LEPs in the management of the future Growth Programme. This information concerns the governance arrangements for the future programmes and, as such, should not be included there.
- The Commission would also like to point out that much of the detail included here gives cause for concern in terms of the compliance of foreseen arrangements with applicable legislation and with the "segregation of duties" principle (role of the different partners and, in particular, the LEPs, responsibilities of the managing authorities, future arrangements for the appraisal of projects, respect of the

partnership principle in the future arrangements, etc.). All these aspects will need to be further clarified before they are acceptable to the Commission. The Commission would remind the UK authorities that, pursuant to Article 124 of the CPR, the audit authority will be called to assess the fulfilment of the criteria relating to, *inter alia*, the management and control activities for the programmes.

- The Commission notes the extreme complexity of the future England Growth Programme, which will cover all three different types of regions with a wide variety of needs and development potentials, whilst using a common structure. Many issues remain unclear, not least the structure of the programme, how the different types of regions and their diverse eligibility and co-financing rates will be treated, and how results which are meaningful for all areas are to be identified and measured. Further discussions will be needed to clarify all these aspects, mainly in future negotiations on the future mono-fund programmes for England.
- The Commission wishes to remind the UK authorities that, in line with the applicable legislation, all 2014-2020 programmes must identify results to be attained and, on the basis of a strong analysis of challenges and opportunities, decide the interventions by the different funds which can make the best contribution to the attainment of the results. Funding should closely follow the intervention logic. The Commission notes that the England chapter starts with a description of the notional distribution of the different funds to the LEAs. The UK authorities are asked to provide further explanation of the intervention logic behind the distribution.

PART II - FURTHER OBSERVATIONS

- The Commission welcomes the changes introduced in the draft Partnership Agreement. The comments included below refer to a number of outstanding issues on which further clarification would be welcome. The comments are organised by PA chapter and according to the structure of the PA template, referencing those parts of the structure where points remain to be further developed. Comments on section 1.1 of the different chapters are ordered by the three strands of Europe 2020, namely smart, sustainable and inclusive growth.
- As stated in Part I, the Commission would welcome a critical review of the document to ensure the full consistency of the content. Issues have already been mentioned regarding the figures. Some graphs are incorrectly referenced in the different chapters (i.e. page 297 paragraph 34 refers to figure 74 which is Employment rates whereas it should refer to figure 72: Total final consumption by sector). A glossary would also be useful.
- The England chapter includes information which should form part of the corresponding programmes, for example detailed descriptions of selected investment priorities and specific objectives. Furthermore, some of the information included in section 1.1 belongs in section 1.3 (i.e. explanations on why the proposed TOs have been chosen on the basis of the development needs). The Commission advises the UK authorities to use the proposed templates for both the PA and the operational programmes to identify more clearly where information should be included.
- There is little connection in the England chapter between existing narrative on disparities, development needs and growth potentials and the choices made for funding. This is recurrent for all TOs and requires considerable strengthening.
- In the case of the Scotland chapter, mention of applicable legislation in the first bullet point of page 240 should be updated to refer to all ESI Funds, not just structural funds.
- Regarding Wales, the definition of rural areas / "Rural Wales" would be welcome given that this term is used several times in the text.

1. ARRANGEMENTS TO ENSURE ALIGNMENT WITH THE UNION STRATEGY OF SMART, SUSTAINABLE AND INCLUSIVE GROWTH AS WELL AS THE FUND SPECIFIC MISSIONS PURSUANT TO THEIR TREATY-BASED OBJECTIVES, INCLUDING ECONOMIC, SOCIAL AND TERRITORIAL COHESION (ARTICLE 15(1) (A) CPR)

1.1. An analysis of disparities, development needs, and growth potentials with reference to the thematic objectives and the territorial challenges and taking account of the National Reform Programme, where appropriate, and relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU and relevant Council recommendations adopted in accordance with Article 148(4) TFEU

Smart Growth⁶:

UK chapter

- The Commission would like to reiterate that all investments under TO 1 have to be fully in line with applicable Research and Innovation Strategies for Smart Specialisation (RIS3)⁷ and backed by evidence.
- The text states that fulfilment of EAC 1.1 will be done at nation level accompanying the relevant programmes. Nevertheless, the UK chapter refers to the 2012 Industrial Strategy which identifies and gives ground to 11 strategic partnerships built on the thematic priorities identified in the document. It also refers to the UK Research and Innovation Strategy for Growth. The PA should explain the relation between the priority areas identified in those documents and national RIS³ (only the Wales chapter references the Business, Innovation and Skills (BIS) documents, explaining that they are not relevant).
- The Commission further recommends that completed versions of the RIS3 be submitted in advance of the submission of the Programmes to allow for any further updates that might be necessary before the EAC assessment.
- Innovation through the European Innovation Partnership (EIP) on Agricultural Productivity and Sustainability, development of agri-technologies and forestry issues is still not fully treated. Only the Wales chapter has added a reference and explanation of how the EIP will be used.
- The horizontal rural development priority for innovation and knowledge transfer should be reflected under TO1 and the issues linked to farm competitiveness and viability; food chain organisation and risk management in agriculture, as well as young farmers, should be addressed in line with the outcome of the SWOT analysis. This should still be made clearer and be better justified both at the UK strategy level and at the regional level,.

⁶ Thematic Objectives (TO) 1: Strengthening Research, Technological development and innovation; 2: Enhancing access to, and use and quality of, information and communication technologies; 3: Enhancing the competitiveness of SMEs, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)

⁷ Annex XI of the CPR.

- The footnote links to the Industrial Strategies on pages 22 and 23 do not work. The strategy for the agritech sector should include the seafood industry.
- Given the good results in some parts of the UK, the Commission would expect the maritime sector to be given full consideration as one of the areas where innovation and technological development is to be fostered.
- All chapters (except Gibraltar) continue to refer to TO2 for all nations and types of regions. Data provided on coverage and penetration of broadband and next generation network (NGN) points out to rural areas being there where market failure is most predominant. However, most of the funding foreseen for this TO comes from the European Regional Development Fund (ERDF).
- On page 31 paragraph 92 of the UK chapter it is mentioned that, according to the analysis, high-growth businesses have specific difficulties in accessing finance, particularly during the recession. Further detail on this would be welcome.
- Page 34 of the UK chapter refers to increasing the competitiveness of SMEs, including by developing the entrepreneurial business culture as the objective of the ESI funding under TO 3. This statement is rather broad and should be made more concrete.
- Support for the aquaculture and fishing sectors under TO3 is welcome in view of the major challenges that they face. However, consistency needs to be further improved:
 - For all chapters, when supporting specific fisheries fleet segments, special attention needs to be shown to reducing overcapacity in order to achieve the balance between the fishing capacity and fishing resources.
 - Both the sustainability of fish stocks and the improved competitiveness of the sector should be addressed.
 - Support to the fisheries sector/fishing fleet needs to be addressed when addressing sustainability issues under TOs 4 and 6, and not TO3.

Support for growth opportunities for small-scale fisheries, including meeting new CFP landing obligations is envisaged in the UK chapter – this would be better placed under TO6.

England

- Much of the background data seems to be taken from the UK chapter and does not really relate to England; it is unclear why it has been included here.
- The England chapter makes little reference to the RIS3 strategy and does not explain its state of readiness or how it has informed the choice of actions to be funded under TO1. This must be expanded.
- The text explains how LEPs will make their investments. It does not explain how choices on a limited number of priorities have been/will be made given available funding and how an England-wide approach is to be ensured in the context of a fragmented structure with 39 LEPs. There seems to be no link with the description of disparities/challenges/growth opportunities and no real concentration but rather cherry-picking by the LEPs.

- Justification is necessary regarding the considerable attention to given to social innovation. The PA explains the theory behind social innovation but it does not explain its relevance for ESIF investments in England. The rationale behind the collaboration with the National Health Service under this TO must be explained.
- Background information on TO2 is confusing, amongst other, the mention of “semi-urban areas” without explaining what they are (paragraph 26). The text states that “significant economic, social and environmental benefits would be delivered through superfast broadband provision”. The Commission would like to understand how these benefits will be measured in terms of the results to be achieved and their corresponding baselines.
- Please remove figures in pounds sterling (GBP) from the documents. Financial amounts that are unnecessary should not be included (i.e. amounts earmarked by the LEPs to spend under the different activities – this information relates to matters still under discussion in the different programmes and not agreed by the Commission). Mentions of the “Commission’s intervention logic” should also be removed. The need for intervention logic to explain how the ESI Funds will contribute to the achievements of the results sought is a requirement which stems from the regulatory framework.
- Paragraph 36 on page 159 refers to the CSRs being recommendations from the European Council. They are recommendations from the Council of the European Union. This reference should be corrected.
- The Commission would welcome a more complete description of disparities. Pages 173 to 174 provide a good example of the type of narrative that should back any choices in the different TOs. For example, data to back the information in paragraph 43 on availability of equity and debt finance for small and medium-sized SMEs would be welcome.
- Figure 49 (page 161) is intended to explain the percentage of the employed within registered businesses but provides a rather odd picture of the issue. It should be clarified.
- With reference to the table on page 165, the UK authorities should clarify the type of entrepreneurship that England programmes will seek to encourage. The Commission takes this opportunity to emphasise that low growth businesses should, in principle, be excluded from the ambit of scope ESIF support. Wherever possible, the UK authorities should seek to encourage the use of financial instruments. A statement to this effect should be included in the text.
- The strong emphasis on business incubators is questionable. There is no clear justification for this investment. The Commission cannot identify where the relevant needs have been analysed. Is there a link to smart specialisation?
- The well-established maritime clusters could be regarded as a driving force in innovation and technological development.
- The Commission would like to remind the UK authorities of the importance of innovation for SME growth. It would be interested to understand if the UK authorities have considered high value-added cloud computing or other SME-friendly delivery mechanisms, such as the ICT Innovation Voucher Scheme.

Scotland

- The analysis of needs/challenges/opportunities in the narrative of section 1.1 is not always consistent with the analysis in table 1.3. Furthermore, there is a discrepancy in the analysis of the draft operational programme and its intervention logic.
- It would appear that Scotland will consider fulfilment of EAC 1.1 through its Government Economic Strategy (GES) However, the GES lacks certain critical elements of the RIS3 approach, especially the use of the "entrepreneurial process of discovery" in order to select and refine priorities and a SWOT analysis based on international benchmarking. The identification of financial services and tourism among the key sectors for investments under the TO1 is questionable.
- Additional text has been included on TO2 but it still does not provide an adequate justification for why such investment should be supported from the ESIF funds in Scotland. The granted state aid clearance for broadband or the fact of alignment with the national broadband scheme do not presuppose that investment has to come necessarily from EU funds. The provided map on projected next generation access (NGA) coverage in Scotland does not indicate any timeframe. Therefore, it is difficult to assess the need for investment.
- TO3: While the analytical part identifies the growth of innovative SMEs as need, the table in chapter 1.3 leaves it out. The use of financial instruments is not expressly subordinated to the results of the *ex-ante* assessment.
- The last paragraph speaks about the development of SMART cities approach with the aim of making Scotland's cities both environmentally sustainable and more attractive places to invest. The choice to fund this intervention under TO3 is not clear.
- In the Scottish chapter (paragraph 33) it is mentioned that “[...] the delivery of CFP reform and new management practices do not negatively impact on their (businesses) viability”. The Commission could agree that businesses are going to face challenges in complying with the reformed CFP requirements; however, support through ESI Funds will be available to them. The Commission suggests amending the above-referred text so as to reflect this, aligning it with the general orientation set out in the UK chapter.

Wales

- All investments under TO1 have to be fully in line with the smart specialisation framework. It should be an evolving document however the specialisation areas should not be subject to continuous review as stated in paragraph 16.
- Page 292, paragraph 20 refers to TO2. It states that 2007-2013 investment in broadband provision through the Superfast Cymru Programme " [...] will still leave a gap of 4% of Welsh premises without access in hard to reach areas least attractive to commercial providers." It is unclear which fund should finance any deployment of broadband in these areas.

Northern Ireland

- The PA has to explain which documents form its smart specialisation framework.

- Paragraph 10 mentions sectors which are very broad. The PA should explain how these broad sectors will be narrowed down in the OP in line with the smart specialisation framework. Results for TO1 appear too limited (p. 346).
- The creative media, film and television industry have been listed in the investment needs without any particular justification. It is therefore unclear why ESI Funds should be involved in funding for these areas.
- The needs identified in the tables in the analytical part are not all reported in section 1.3.
- The two paragraphs which deal with Northern Ireland's intentions regarding broadband remain very vague. The Northern Ireland authorities must provide a better justification of what would be covered under TO2, as this was not included in the CPP. In addition, it is not clear what the strategy would be for rural broadband.
- The Northern Ireland chapter does not provide any reference to fisheries and maritime aspects. This could be understood as Northern Ireland not intending to avail itself from the EMFF.

Gibraltar:

- In line with the intervention logic, the following sentences should be deleted: page 364, paragraph 12: "ICT exploitation in order to develop new areas..(in particular e-procurement)"; page 365: "Support required to assist SME to exploit IT related opportunities"; page 367: " i.e. in IT in respect of ERDF"

Sustainable Growth⁸:

UK chapter

- Issues that relate to the transition to a low-carbon economy, adaptation to climate change and environment/resource efficiency are not always dealt with under the relevant section. The challenges in paragraph 113, page 39 relate to the impact of climate change and should be discussed in relation to TO5. The opportunities mentioned in paragraphs 130 and 149 refer to low-carbon (climate change mitigation) although the sections refer to adaptation to climate change and environment/resource efficiency. Paragraph 153 refers to climate change policies and energy efficiency which would find its place in the preceding sections on low-carbon and climate change adaptation.
- TO 4: Energy efficiency is one of the three Europe 2020 targets relevant for sustainable development. It is barely mentioned in the "challenges/opportunities" section. There is no description of where the UK is currently and not enough information on the challenges/opportunities section to substantiate exactly what the UK needs are in this area. Potential cost-effective gains and investment gaps should be presented for different sectors (buildings, industries, transport). Energy efficiency is not mentioned as a challenge in paragraph 113. It is referred to in relation to the

⁸ Thematic Objectives 4: Supporting the shift to a low-carbon economy in all sectors; 5: Promoting climate change adaptation, risk prevention and management; 6: Preserving and Protecting the environment and promoting resource efficiency; and 7: Promoting sustainable transport and removing bottlenecks in key network infrastructures.

objectives (paragraph 120), but not explicitly under the priorities for investment (paragraph 121). It has been only partially covered in the national chapters. Clear and consistent information at UK and devolved level would be welcomed.

- Paragraph 113, page 39 mentions “inequality in the market as a consequence of poor connectivity”. The meaning of this statement is unclear.
- The Commission notes the content of the objectives for the ESI Funds in page 40. Further clarity will be needed as to the role of infrastructure development in contributing to the shift of the UK to a low carbon economy.
- The low carbon environmental goods and services sector should be defined in terms of scope and nature whereby linkages with TO1 and TO3 could be explored. Furthermore, it is not clear whether envisaged investments to build the market for low carbon environmental goods and services would fit under TO 4; some could rather need to be included in TO 3.
- A reference to the Strategic Energy Technology (SET) Plan is necessary when addressing the low carbon thematic objective since the SET Plan objectives contribute to the Union strategy for smart, sustainable and inclusive growth. SET Plan priorities are becoming increasingly prevalent since the March 2014 European Council, where reducing EU energy dependence, in particular through increasing diversity of energy supply, was declared a top priority.
- In all chapters, EMFF support to the fishing fleet and the fishing sector in general seems to be overlooked under TO4.
- TO 5: The justification is still weak and fails to show the value added of the ESI Funds vis-à-vis the substantial investment made by the Government.
- On page 44, the objective that the ESIF funds encourage development of the market in adaptation products/services does not seem to be reflected in paragraph 135 which mentions supporting investment in the uptake of innovative technologies and resource efficiency measures and helping to manage flooding and coastal erosion risks.
- Investment in infrastructure is envisaged to help manage floods as a main objective (p. 44), but the Commission would have doubts as to how EUR 90 million would be sufficient to cover "development of the market in adaptation products/services" and "infrastructure". Furthermore, as already mentioned in Part I, funding under this TO was not included in the CPP.
- TO6: some of the "objectives for the ESI Funds" included on page 47, such as "contribute to improving energy efficiency" cannot be funded under this TO.
- The UK chapter emphasises that the natural environment plays a critical role in providing a wide range of goods and services and that, in parallel, the priority habitats and priority species are in decline. However a reference is missing to the PAF submitted by the UK pursuant to Article 8 of the Habitats Directive, as a relevant basis for funding decisions. The Partnership Agreement should include a clear commitment that the financing of the Natura 2000 network in the UK will be in line with priorities and measures specified in the PAF so as to achieve the favourable conservation status of habitats and species of community interest.

- The Nitrates Directive and the Pesticides Sustainable Use Directive should be referenced. Air quality and the EAFRD should also be indicated in the table after section 135.
- The current situation in land use from an environmental point of view needs to be better explained considering the described impact on the environment and ecosystems from agriculture practices such as intensification, organic farming extensification and marginalisation on the environment and ecosystems
- "Resource efficiency" is mentioned under the UK objectives and priorities for investment in paragraphs 153 and 155 but not underpinned by any analysis. No factual analysis with gaps and needs is presented for other environmental issues.
- Foreseen TO6 support to aquaculture and fishing sectors is welcome in view of the major challenges faced. However, consistency needs to be further improved for all chapters. When addressing sustainability of fish stocks, special attention needs to be shown to reducing overcapacity in order to achieve the balance between the fishing capacity and fishing resources.

Challenges and priorities for the fisheries sector are highlighted in the UK chapter under TO6; however the priorities for investment are very broad (paragraph 155), and there is the potential for overlap with other TOs such as 4 or 8 (see paragraph 153). Blue infrastructure is mentioned in paragraph 153 but not in paragraph 154. The Commission welcomes the fact that biodiversity degradation and sustainable fishing practices are addressed under TO6 at UK level (and in other chapters as well but to a lesser extent). The absence of any EMFF support foreseen under this TO in the English chapter is striking and should be explained/remedied. Further development of this matter in the Scottish chapter would also be welcome (to align with the UK chapter).

- The aquaculture sector is referred to in the UK chapter (highlighting Scottish salmon farming) but this it is not mirrored in the Scottish chapter. This is even more important as it refers to a cross-cutting problem everywhere in the UK's constituent parts, namely the availability of suitable sites for aquaculture.
- Where the implications of implementing existing water legislation are outlined, the link should be made also with the implementation of the Marine Strategy Framework Directive (MSFD). Attainment of 'good environmental status' by 2020 (as required by the MSFD) is partly dependent on proper implementation of legislation governing upstream water bodies and water treatment (see paragraphs 145, 148)
- Content in TO7 refers only to roads and rail. The Commission Position Paper did not include this TO as a funding priority for the UK. The Commission notes that funding under this thematic objective is foreseen in Wales and in England (in the latter in all regions, less developed, transition and more developed). On page 49 it is said that this thematic objective has been selected in all nations except for Gibraltar, which seems in contradiction with other parts of the document (i.e. pages 74 or 340). It is the view of the Commission that the PA still does not make a sufficiently strong case for funding under this TO, in particular in transition and more developed areas. Furthermore, in the case of the England chapter, some of the activity foreseen does not seem to be in line with the applicable Regulations and, in particular, the ERDF Regulation (Article 5(7)).

- it is not clear or sufficiently detailed in the England chapter (e.g. targeted multi-modal investments) what investments in transport are envisaged for support from the Funds and what are the priorities in this area.
- Any individual investments should be carried out in full consistency with comprehensive transport plans (cf. thematic EACs 7.1, 7.2 and 7.3), in order to ensure a better interoperable integration between transport modes and a stronger focus towards the Trans-European Networks (TEN) by 2020 and beyond. The fact that transport figures as a CSR does not automatically qualify it for ESIF allocations.
- In the UK chapter, mention is made of "Investing in Britain's Future" which purportedly sets out the key issues facing the UK as a whole and the UK Government's response. This document does not constitute a comprehensive transport plan as it only covers two transport modes, i.e. road and rail transport. These transport modes are covered in separate chapters with little evidence of any co-ordination between the two. No mention is made of multi-modal transport and interoperability. Moreover, the document also covers themes outside the transport field, i.e. science and innovation, housing and digital communications.
- The draft PA also refers to the "National Infrastructure Plan". Again, this document does not constitute a comprehensive transport plan as it fails to provide a rigorous assessment of transport demand (both for passengers and for freight) and does not adopt a holistic approach with the different modes being treated in an isolated fashion. This plan covers infrastructure in the broadest sense e.g. electricity generation, superfast broadband, coastal erosion and research infrastructure projects.
- Any investments by the ERDF should be fully in line with the TEN-T guidelines which define the EU's transport infrastructure priorities. "Investing in Britain's Future" makes no mention of TEN-T. The "National Infrastructure Plan" only mentions TEN-T once in a rather oblique reference to Wales.
- With regard to rail transport, there is an inherent contradiction in the following assertion: "The investments being made must look to prioritise those of the most significant national interest and therefore the ESI Funds provide an opportunity to accelerate specific regional bottlenecks or tackle regional/local issues that may not otherwise be prioritised across the UK or nationally". This statement must be clarified.
- Overall indicative allocations to TO7 for the UK are EUR 431 million. Given the significant allocations foreseen for TO7 Wales (EUR 314 million), considerations relating to potential added value and real impact on the ground are of relevance.

England

- According to the PA (paragraph 125, page 184), the "England Biodiversity Strategy" calls for a 200 000 ha increase in priority habitat by 2020 and the need to get 90% of all priority habitats into favourable or recovering condition. An explanation should be included on how this links to the 15% degraded ecosystems restoration goal under the Europe 2020 Biodiversity Strategy.
- TO 4: The analysis on greenhouse gases (GHG), renewable energy sources (RES) and energy efficiency remains weak. Transport is missing from the analysis on GHG. Regarding energy efficiency, there is only a reference to "significant potential" with

no mention of distance to target or investment gaps. The number of houses without cavity wall insulation is not a useful indicator without an analysis of the energy savings potential in different sectors and for different types of investments. Data on investment in RES is provided, but there is no information on the "as is" situation, the existing gaps and development/investment needs or which types of RES have the highest potential and need public support to trigger private investment. Reference should be made to the national plans for energy efficiency and renewable energy as submitted to the Commission.

- According to the table included in page 167, paragraph 62, the UK has achieved both the GHG emissions and energy efficiency (EE) targets. The Commission would contend that ESIF investments here do not seem to be justified by need and as such would require a much stronger justification. The EE current situation figure (19.7%) should be also referred to in the UK chapter.
- Whereas the section on development needs and growth potentials identifies only four main "gaps" (reducing carbon emissions from industry, developing the LCEG sector, EE in housing (with no mention of industry or transport), and the potential for RES), subsequent pages include an extremely wide and unfocused list of potential actions which does not seem to be anchored in the justification and is therefore not applicable.
- The intervention logic in this section is missing and too many activities are proposed for the allocation currently foreseen (some EUR 600 million). Paragraph 77 identifies almost all the investment priorities foreseen for this TO in the ERDF regulation. This points to a lack of concentration contrary to the statement in paragraph 73 that ESI Fund have to be focused where they have most added value.
- Information included in paragraph 80 on page 172 should be moved to the future programmes, as it is not part of the PA template. The Commission would like to point out that some of the proposed actions on this list do not seem to be eligible for funding i.e. "ICT to reduce carbon emissions" or "resilient energy infrastructure". Moreover, activities in the area of carbon capture and storage only fall within the scope of the ERDF to the extent that they are for research, development and testing of new products and processes. Carbon capture and storage activities *per se* cannot be supported.
- It is stated that the ESI Funds will complement the "Green Deal in EE for housing". The Commission would like to better understand how exactly this would be done.
- Potential to exploit geothermal energy was mentioned in the November 2013 version of the draft PA; it is now mentioned only once (page 172). Is the UK still considering geothermal as a source of energy in to be developed using ESI Funds?
- TO 5: As already stated above in the UK context, the resources available in England for this TO (EUR 89 million) would not allow any significant impact on infrastructure investments, which seems to be the intended aim according to the main result in section 1.3 of "improving economic viability of areas through infrastructure investments".
- The underlying approach to use ESI Funds under TO5 is to bring land ideal for economic development into use (paragraph 102 and also reflected in the different results). More explanation would be needed on how ESI Funds would make these

areas economically viable in a sustainable way. It should be also be clarified how "market failure" will be assessed in this context?

- TO6: The objectives for 'Environmental protection' and 'Resource efficiency' (page 185) are fairly generic given that the preceding analysis discussed concrete issues related to a number of environmental issues.
- "Green infrastructure" is generically used but without any explanation on what exactly it entails and how it addresses the identified needs. Moreover, the term seems to be taken out of the context of the relevant investment priority 6(d). The main focus of this TO is to protect the environment and not the economic development of the regions.
- Air and soil quality are only analysed from an agricultural point of view, ignoring potential air and soil quality issues in urban areas. The regeneration of urban brownfields is however included in the areas for investment.
- The table on page 186 appears inconsistent with the previous sections. The specific objective "To restore, preserve and enhance the natural environment" does not seem specific at all. The investment priorities quoted in the table are not in line with Article 5 of the ERDF Regulation.
- Paragraph 136, page 187 (justification for GHG not to be included as a result indicator under TO6) points again mixing of the relevant issues of TO4 and TO6.
- It is unclear what is meant by "green infrastructure to provide sustainable transport links" under the priorities for investment (paragraph 138, page 187). Furthermore, transport is not raised in the preceding analysis. Recreational (routes) and tourism matters are not linked to the analysis either.
- TO7: The following assertion should be preferably deleted "Even in some areas categorised as 'more developed', such as Cheshire, Derbyshire and Nottinghamshire, modest transport investment can improve the accessibility and viability of priority employment and development sites and address some of the difficulties faced by for local employers in accessing personnel from the wider labour market". Questions arise as to the meaning of "modest".
- With regard to the national policy context, there seems to be a contradiction between the assertion that "[...] decisions on regional and local transport infrastructure should be made at local level" on the one hand and the Commission's requirement that priorities be set in a more selective manner to reflect a consensus among key stakeholders in the region/Member State. Investments within a strategic framework and maximising the network effect of transport investments requires that individual actions be carried out in full consistency with comprehensive transport plans in order to ensure a better interoperable integration between transport modes and a stronger focus on the Trans-European Networks by 2020 and beyond. There is little evidence within the England chapter narrative that this is the case.
- No result indicators are provided for TO7.
- The desire/intention to link employment sites to residential locations or address difficulties faced by employers accessing personnel through the provision of transport

infrastructure figures as a priority for investment under TO7. This desire/intention seems rather spurious and is in any case insufficiently grounded.

- Given the indicative TO7 allocation for England, considerations relating to potential added value and real impact are of relevance. For roads to be supported it would be necessary to demonstrate that they will lead to the connection of secondary and tertiary nodes to the TEN-T network.
- Wales chapter: two major planned TEN-T connectivity investments, M4 and rail electrification, are mentioned. An explanation of how these two investments have been prioritised should be included.. ESIF interventions should focus on sustainable forms of transport such as rail or metro. Greater urban mobility has been included under TO7. The text should clarify why TO4 has not been considered even if it is possible to support actions related to sustainable transport in urban areas under Investment Priority IP 7(b).

Scotland

- Energy efficiency remains underdeveloped in the analysis when compared to RES. Energy efficiency is also discussed in relation to resource efficiency (p. 252) rather than "low carbon economy", where it belongs.

Wales

- Regarding the proposed activities to "develop supply chains" under TO4(c), the Commission's understanding (also confirmed by the submitted programmes) is that the Welsh authorities have decided to move these to TO3. The text of the PA should be revised accordingly.
- The indicative allocation for TO7 in Wales amounts to EUR 314 million. The Welsh authorities have been invited to study the possibility of reclassifying some envisaged investment in TO4 considering the emphasis on sustainable transport (paragraph 52) and on sustainable urban development (paragraph 45). Any expenditure foreseen within TO7 should be clearly linked to TEN-T-related projects. The operational programme (if not the PA) should clearly refer to the existence of a comprehensive updated transport plan.

Northern Ireland

- It appears from the current text that only the EAFRD has been identified to provide funding under TOs 5 and 6, as no needs or expected results have been included for the other funds. The Commission would like remind the UK authorities that funding for TO5 was not included in the CPP. As regards TO6, further justification is needed as to why no contribution from other funds is foreseen.
- As already indicated in the informal observations sent in December, a brief reference to Northern Ireland's position as regards GHG and energy efficiency would be needed, explaining how EU/national investments would address possible gaps in achieving targets.
- Analysis and justification for the concentration of ESI Funds only on the renewables sector should be given by referring to national policies, proving that this has the best EU-added value and/or represents the most effective use of EU funding to meet the set low-carbon targets.

- The Northern Ireland chapter makes no reference to fisheries or maritime aspects. This could be understood as Northern Ireland not intending to avail itself of the EMFF. This would need to be explained.

Gibraltar

- The section on "sustainable growth" does not provide sufficient analysis of the situation, gaps or needs. A sound intervention logic supporting objectives and results has to be presented.

Inclusive Growth⁹

UK chapter

- The use of the ESF should be better explained. The general statements on complementarity with national programmes and areas where the funds may potentially be used do not allow to assess the results orientation of the programming.
- The references to investment priorities and specific objectives are not appropriate for the PA, as they are part of the operational programme intervention logic.
- The text needs to better explain the coordination with the Fund for European Aid to the Most Deprived (FEAD).
- The PA needs to indicate what age range will be addressed regarding young NEETs (not in employment, education or training), the content of the Youth Employment Initiative (YEI) in England and how it will be aligned with the ESF England OP.
- Justification of the use of the 10% flexibility has to be presented, especially to explain how these additional YEI allocations will have an added value or will help to increase the scale of investment in these regions.
- Page 60, paragraph 197: ESI Funds will not be used directly to implement welfare reform but to "complement reforms such as the introduction of the Universal Credit" This needs to either be reworded or provide further explanation on whether EU support is to be involved in the welfare reform or not.
- Page 61: The table does not contain data on poverty in England and Northern Ireland. It is difficult to understand the intervention logic particularly for TO9 as regards groups targeted and priorities for investment in England.
- Page 63: The Commission is of the opinion that the availability of affordable childcare is a challenge that prevents women from working. Provision of childcare could be entered as "opportunity" in the same table. Increasing in-work poverty, evidence for which has recently been given by the UK Social Mobility and Child Poverty (SMCP) Commission, could also be included amongst the challenges. Childcare, combating child poverty and reducing in-work poverty could be included on page 63 under "Objectives for the ESI Funds".
- Page 64, priorities for investment: target groups should include parents with caring responsibilities.

⁹ Thematic Objectives 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 vocational training for skills and lifelong learning.

- Page 68: The challenges table should mention the skills mismatch identified by British employers. The column on opportunities could include better engagement of employers in skills provision which is in accordance with the apprenticeships reform currently underway in the UK. Involving employers in skills provisions could also be mentioned under domestic interventions on page 68.
- Page 69 paragraph 228 mentions only basic skills interventions. As the current apprenticeship reform envisages increased provision of advanced and higher skills, apprenticeships that address these skills could also be included here. Skills mismatches could also be mentioned here.
- The complexity of the current qualification system could act as deterrent to young people attending vocational training. Its simplification could be addressed through vocational education and training (VET).
- The UK authorities could contribute to reducing the educational gaps of people with low income backgrounds when addressing low skills.
- Information on the YEI should be included in the relevant England and Scotland chapters.
- In view of the significant challenges of the fisheries sector, coupled with the growth potential in the Blue Economy, more importance should be assigned to employment and training initiatives for supporting coastal communities. Opportunities should be available inside the sector, but outside as well; allowing people to improve skills in line with the new challenges in the Common Fisheries Policy, but also to re/up-skill and diversify into other (emerging) areas. This logic should be integrated in the Welsh chapter as well. Clear arrangements/co-ordination of ESI Funds have to be spell out in the PA, both at general and chapter levels.
- The EMFF will contribute to TO8 but not to TO10 under inclusive growth. Should TO 10 be necessary, funding would need to come from ESF-funded schemes.
- In terms of TO9, the PA should better address the high rate of workless households and the reduction of child poverty, particularly in lone parent households and large families, as well as amongst those facing multiple disadvantages. The PA could refer to interventions covering all three pillars of active inclusion. Poverty and social exclusion need to be addressed separately according to the social group; the long-term unemployed, the working poor, persons with disabilities and/or health difficulties, older persons, disadvantaged women and children and disadvantaged young people are amongst the various target groups that require specific interventions.

England

- None of the pillars of the inclusive growth strategy sets out a sufficiently sound intervention logic with focussed specific objectives that identify the change sought and corresponding result indicators. The specific objectives and the results are largely broad and vague. Specific target groups, as identified in the needs section, should be addressed in the specific objectives and the corresponding result indicators. There seems to be some overlap between the sections (i.e. social inclusion and education both mention the most disadvantaged)
- The common types of activities proposed under some TOs should be better justified when considering multi-category priority axes, particularly given that development needs vary across different regions and areas in England. As a general rule, one priority axis should concern one category of region (Article 96(1) of the CPR),

correspond to a thematic objective and comprise one or more investment priorities under that TO, in accordance with the fund-specific rules.

Gibraltar:

- Basic labour market data is missing and it is therefore impossible to assess the development needs and build a sound intervention logic. Please indicate the kind of skills shortages identified in the Gibraltar labour market. Please also clarify the "negative aspects" affecting young people requiring ESI Funds support. The identification of the main development needs should be backed by data for the specific group targeted (youth, disadvantaged, aged 50+, etc in the labour market, in terms of education and skills, social inclusion and protection ESF relevant indicators).

The stated absence of any significant poverty and/or social inclusion needs should be supported by data and a minimum analysis, e.g. figures and rates for youth employment and unemployment, people with disabilities, ethnic minorities, female employment and unemployment rates, people/young with basic skills needs, etc.

Experience of 2007-2013 programmes has to be based on MIS validated data.

- 1.1. Analysis

Promoting sustainable and quality employment:

- As indicated in the UK chapter, there was no relevant progress over the 2007-2013 period in terms of reducing the gender gap compared to the beginning of the period (10% employment rate gap), and female underperformance was one of the main issues of the England and Gibraltar programme. Other gender issues identified in the UK chapter remain as serious barriers for women to enter the labour market and they have to be appropriately analysed and addressed. This is particularly applicable to England.
- Inactivity rates are very different for men and women, particularly the proportion of inactive women wanting a job as well as differences in FTE. Data on women working part-time looking for a full time job is very relevant but also data on gender pay gap. On the basis of the experience of the current programmes, an extra effort in terms of ESF funding is required to be more effective in closing the gender gap.
- Lessons learned from the 2007-2013 ESF programmes should be presented in relation to equality targets, achievements and issues engaging certain target groups.
- Table of challenges and opportunities: gender gap, female inactivity rate, childcare support, lone parents and reducing child poverty in low-income households should be addressed in a comprehensive way. In paragraph 200 it is stated that gender gaps will be closed using domestic initiatives. Both Government initiatives mentioned could be complemented by the ESF in order to tackle gender issues.
- There is no mention of potential ESF contribution to sustainable employment and the transition from inactivity to employment and from part-time to full-time jobs, mostly as regards women. Inactivity rates broken down by gender are missing and could be presented. This is particularly relevant given the high number of inactive women wanting a job or wanting to progress from part-time to full-time jobs.

- Objectives and results: It is not clear what the ESIF contribution will be in reducing inactivity rates. Proposed interventions to increase employment rates for women are clearly insufficient; 2007-2013 evidence shows the need for a more focused approach to gender issues to meet minimum female participation. An extra effort is required to contribute towards reducing gender gaps.

Specific objectives are not specific enough and not in line with the very weak intervention logic proposed. Target groups and the focus of ESF interventions are not clear and not always aligned with the identified needs, specific objectives targeting specific groups and the result indicators proposed. This comment applies to all investment priorities selected in the England chapter (which belong in the operational programme).

Promoting social inclusion:

- It is recommended that a more comprehensive analysis be made of social issues and barriers per social group to enter the labour market as well as of the proposed focus and selection of target groups i.e. lone parents, women working part-time, etc.
- The strategy document "More affordable childcare" does not fully address the CSR on facilitation access to childcare services. ESI funds should complement national provision of childcare where appropriate. Proposed ESIF funding for supporting measures such as training for childcare workers would not have sufficient impact on the affordability of quality childcare services. Particular attention should be given to improving the access of children under three years of age to affordable childcare.
- Priorities for investment: The intervention logic needs to be improved especially in identifying and prioritising ESF target groups.

Investing in education, training skills and lifelong learning

- Clarification is needed of the approach chosen to avoid deadweight and justify public intervention. If demonstrated market failure is the overall approach retained, it must be clearly stated if it applies to all ESI investments; otherwise alternative models should be justified.
- Objectives and results: Any interventions need to be supported by a clear intervention logic showing that they are the most efficient way to achieve the proposed change sought. This point applies in particular to capacity building activities.
- Page 196 under paragraph 168 the Youth Contract could be mentioned.
- Page 200, paragraph 187 could mention the increase of in-work poverty. Please see the 2013 report of the UK SMCP Commission.

Scotland

- In addition to the general remarks above on the intervention logic, the chapter should mention, if appropriate, how Scotland could contribute to the implementation of the CSRs and indicate the distance to the Europe 2020 employment targets.
- The intervention logic sets out very general specific objectives that do not clearly identify and focus on the change sought; the result indicators are rather general, some of which may prove difficult to monitor.
- Page 270: NEETs could be added to the table under "Needs" and "Specific objectives".

Wales

- In addition to the above-mentioned general remarks, the Wales chapter should: (1) highlight under "needs" the required skills provision with respect to the existing skills mismatch; (2) consider whether workless households could be included under TO 9;(3) specify under TO9 what is meant by "increase social inclusion through substantial employment" which is rather vague.
- The text on page 314 mentions "increase leadership and management skills, organisational flexibility and workforce diversity" under desired results. The Commission would appreciate more detail on the focus group and how this impacts the employability of those targeted.
- The description of the intervention logic should be improved.

Northern Ireland

- The chapter should specify in "Experience of 2007-2013" (p. 212) what the "more targeted groups" are. It should include the NEETs category under needs in "Summary of needs and growth"(p.222).
- It should set out specific objectives and corresponding results expected from the support provided.
- The text relating to reducing labour market barriers to women needs to be completed.
- The chapter should include an analysis of the relevant territorial imbalances and bottlenecks, the growth potentials of urban, rural and coastal areas as well as maritime areas, and the growth potential of the "blue economy", where relevant.
- The description of the intervention logic should be improved

1.2. A summary of the *ex-ante* evaluations of the programmes or key findings of the *ex-ante* evaluations of the Partnership Agreement where the latter evaluation is undertaken by the Member State at its own initiative

- The Commission welcomes the inclusion of information on applicable *ex-ante* evaluations but it would ask that it be completed. Whilst understanding the iterative nature of the process, some (even preliminary) information on conclusions emerging from the evaluation work would be helpful to understand if the general direction of travel is adequate.
- It is suggested to move the information regarding the England chapter, currently on pages 72 to 74 of the UK chapter, to the relevant part of the England chapter.
- It is stated that the *ex-ante* evaluation of the England chapter (page 73) found out that it is difficult to gauge prioritisation between biodiversity, air and soil quality (TO6). It is not explained how this finding has been addressed in the PA.
- A summary of the applicable general ESF-related *ex-ante* evaluation is missing and pending.
- In the case of the Northern Ireland chapter, further detail would be welcome on the preliminary observations which are coming out of the ongoing process.

Gibraltar:

- The summary should show the conclusions on the basic elements of the ex-ante evaluation as suggested by the Commission guidance on *ex-ante* evaluation.

1.3. Selected thematic objectives, and for each of the selected thematic objectives a summary of the main results expected for each of the ESI Funds

- See comments in Part I on this matter which refer to all TOs.
- The main expected results as presented in sections 1.3 of the PA chapters must correlate with the selection of TOs in section 1.1.
- There is a mention on page 349 of the LEADER approach being "[...] entirely programmed under TO3 and TO9". Funding for LEADER should be programmed only under TO9, whilst still contributing to other TOs.
- Regarding the EMFF, it will only contribute to TOs 3, 4, 6 and 8. Updates should be carried out for all chapters accordingly.

England

- All results need further work. Most are vague and it is not clear how they would be captured.
- TO4: The result indicator "increase the size of the low carbon environmental goods and services sector" does not relate to any of the investment priorities and would be more suitable for investments under TO 3, if a particular focus is foreseen for this sector.
- The ERDF is proposed together with the EMFF to "contribute to the development of the marine energy sector". More than one fund can contribute to the achievement of a result, but the contribution of each fund should be outlined, summarising the intervention logic. A clear demarcation should be made. Moreover, the EMFF does not contribute to the marine energy sector.
- TO6: The main results listed do not reflect the investment priorities, specific objectives and result indicators well, as presented in the tables in each of the thematic sections.

The first main result is very generic and almost identical to the one foreseen for TO5 (improving economic viability of areas through infrastructure investments, including Green Infrastructure) and does not reflect the spirit of this TO.

The second main result under TO6 (an increase in companies deploying low carbon practices, services and products) is also not relevant for this TO, but more applicable to TO4.

Scotland

- Section 1.3 has to be revised entirely and provide information as requested by the PA template: choice of thematic objectives and the main results to be achieved. The rest of the information belongs in the operational programme.

- TO4: The main results refer to the "increase in RES generation" (with no detail on what types of RES or what type of measures) but are not linked to an objective.
- The third main result is very broad and refers to "low carbon communities" which are not defined in the document.
- The fourth main result (increase of the use of public and active transport modes) is not clearly linked to the analysis. Public transport investments must relate to low carbon strategies for specific areas and multi-modal mobility, if they are to be considered under TO4.
- The fifth main result refers to 'alternative transport fuels'. These are not foreseen as such under TO4 and should therefore be linked either to sustainable multi-modal urban mobility or research and innovation for low-carbon technologies.
- TO6: The main result "increased energy efficiency and ..." should be revised to actually reflect the objective of improving the resource efficiency of the enterprises.
- Clarification is needed as regards 'mitigating the impact of climate change' (a need) and 'to contribute to climate change prevention and mitigation' (specific objective). This matter belongs to TO4 and/or 5 (but TO5 is not foreseen for Scotland).

Wales

- The desired results are very generic.
- Here too, both ERDF and EMFF are proposed to "contribute to the development of the marine energy sector". More than one fund can contribute to the achievement of a result, but the contribution of each fund should be outlined summarising the intervention logic. A clear demarcation should be made. Moreover, the EMFF does not contribute to the (marine) energy sector.

Northern Ireland

- The main results in section 1.3 appear to be the targets set by Northern Ireland for 2020; this should be explained.
- The intervention logic for EAFRD funding in TO1 is not sufficiently clear; the needs for intervention are identified but no expected results are linked. In the case of TO2, the intervention logic for the EAFRD would also need to be improved (i.e. analysis→ funding priority→ expected result). TO7 does not appear in the expected results table, despite the existence of an analysis and identified needs.
- On page 342, paragraph 66 there is mention of EAFRD interventions but no identified needs or results expected; it is unclear how the EAFRD will contribute to promoting employment.

Gibraltar

- The main expected results are very generic; the results are expected in relation to energy requirements in existing housing and public buildings but this is not discussed in the analysis.

1.4. The indicative allocation of support by the Union by thematic objective at national level for each of the ESI Funds, as well as the total indicative amount of support envisaged for climate change objectives

- See comments in Part I on this matter.
- The split by fund and TOs in the UK consolidated table (Table 1-Section 1.4) is incorrect for the different funds. For instance, the amount allocated at UK level for TO5 under EAFRD is EUR 39 million whereas the Welsh table exhibits a figure of EUR 67 million. The same applies to TO4 (EAFRD EUR 25 million versus UK chapter 14 million); TO7 (EAFRD EUR 5 million versus UK chapter EUR 3 million); or TO10 (EAFRD EUR 8 million versus UK chapter 5 million).
- Figures for EAFRD technical assistance in Tables 1.4.1 on page 76 and the table on page 78 are also inconsistent.
- LEADER should be programmed under TO9, not TO3.
- Section 1.4.2 – see Part I for comments on the figure for climate change.

Wales:

- In our understanding, the 'Glastir interventions' (term not explained in the text) are related to (a) specific scheme(s) and as such should not be mentioned in the PA, but rather at RDP level.

1.5. The application of horizontal principles referred to in Articles 5, 7 and 8 of the CPR and policy objectives for the implementation of the ESI Funds

1.5.1. Arrangements for the partnership principle including an indicative list of the partners referred to in Article 5 of the CPR and a summary of the actions taken to involve them in accordance with in Article 5 of the CPR and of their role in the preparation of the Partnership Agreement and the progress report referred to in Article 52 of the CPR

- Please provide, wherever missing, the indicative list of partners indicating their level of involvement in the preparation of the Partnership Agreement. In the case of England please identify the proposed solutions to engage relevant representatives of the civil society which have not been involved so far in the design of the ESIF LEP strategies.

1.5.2. Promotion of equality between men and women, non-discrimination and accessibility (with reference to Article 7 CPR)

UK

- ESIF funds should support measures to reduce the main labour market barriers to female participation. The Commission observes that both the dual approach and building on good practice were already used in the current England ESF programme and proved insufficient to meet female participation targets. The UK authorities should elaborate how they are going to address the difficulties faced by the dual approach during the previous programming period.

England:

- The promotion of equality is not sufficiently addressed and there is no reference to the experience derived from the 2007-2013 ESF programme. Data and the lessons learned from the 2007- 2013 England and Gibraltar programme demonstrate the insufficiency of the gender mainstreaming approach and require alternatives to meet minimum female participation levels in England in order to contribute to reducing the gender gaps. The 2007-2013 Gender and Equal Opportunities Mainstreaming Plans and reports, evaluation evidence and MIS data demonstrate that the dual approach based on the Action Note Plan to increase female participation was not sufficient to redress the female underperformance in the second half of the 2007-2013 programming period.

Wales:

- The main added value of the partnership in the preparation of the PA should be made clearer.

Gibraltar:

- Please identify the disadvantaged groups proposed and the equality targets.

1.5.3. Sustainable development (with reference to Article 8 CPR)

- See comments in Part I.
- Links with the sustainable development section should be reinforced at all levels (in general across TOs and devolved administrations) as regards Natura 2000, Maritime Strategy Framework Directive (MSFD), Maritime Spatial Planning (MSP) and Integrated Coastal Zone Management (ICZM). Please refer to comments made in Part I of the document.

1.5.4. Horizontal policy objectives

- The UK chapter mentions on page 84 that there are additional horizontal policy objectives for Scotland and Wales, whilst none for Northern Ireland or Gibraltar. There is no reference to England (which has no narrative included under 1.5.4)
- Information on cross-fund arrangements to be considered in place-based or thematic interventions mentioned in the Northern Ireland chapter does not seem to be in line with the narrative included in the UK chapter.

1.6. The list of the programmes under the ERDF, the ESF and the YEI and the Cohesion Fund, except those under the European territorial cooperation goal, and of the programmes of the EAFRD and the EMFF, with the respective indicative allocations by ESI Fund and by year" (total Union support, including the performance reserve).

- The UK authorities must ensure that any figures in the next iteration of the narrative and those encoded in SFC2014 fully match.

1.7. Request for transfer of Structural Funds 'allocations between categories of regions, where applicable

1.8. Transfer from the European Territorial Cooperation goal to the Investment for Growth and Jobs goal, where applicable by category of region

1.9. Request for a transfer of technical assistance to the European Commission, where applicable

1.10. Information on the allocation related to the performance reserve, broken down by ESI Fund and, where appropriate, by category of region, and on the amounts excluded for the purpose of calculating the performance reserve (Article 15 (1) (a) (vii) of the CPR)

2. ARRANGEMENTS TO ENSURE THE EFFECTIVE IMPLEMENTATION OF ESI FUNDS

2.1. Arrangements, in line with the institutional framework of the Member States, that ensure coordination between the ESI Funds and other Union and national funding instruments and with the EIB

- The English chapter presents a fairly comprehensive view of how potential synergies between the ESI Funds and other EU funding programmes could be achieved. The section could be improved for instance by expanding on the role and form of the proposed smart specialisation hub and the links to the Enterprise Europe Network (EEN) and the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) and be used as an example on how to present this issue in the other chapters. As this is related to the UK as a whole, the description of potential synergies could be presented in the UK chapter and refer to all the nations.
- Synergies with the European Institute of Technology (EIT) Regional Innovation Scheme or the EIT Knowledge and Innovation Communities could be explored.
- Paragraph 3 on page 92 of the UK chapter should state more clearly if the Department for Business, Innovation and Skills will be formally designated as the coordination body for the 2014-2020 period.
- As stated in Part I, the England chapter includes very detailed information on arrangements for the inclusion of the Local Enterprise Partnerships in the management of the future Growth Programme (pages 223 to 228). The Commission would like to point out that much of the detail included here gives cause for concern in terms of the compliance of foreseen arrangements with applicable legislation and with the "segregation of duties" principle (the role of the different partners and, in particular, the LEPs, the responsibilities of the managing authorities, future arrangements for the appraisal of projects, respect of the partnership principle in the future arrangements, etc.). All these aspects will need to be further clarified before they are acceptable to the Commission.
- The Scotland chapter indicated that they will use the partnership approach (strategic delivery partnerships) and project sponsors. On page 278, it is stated that the OPs will

be designed around strategic interventions, projects, programmes or schemes of significant financial scale led by organisations with the capability and scale to manage the EU audit obligations and deliver significant outcomes (lead partners). Page 282 says that "a small number of lead partners will be charged with delivering the of the objectives of the PA". There is no mention that these will be intermediate bodies. In the Wales chapter (p. 326) it is stated that the multi-partner approach and strategic delivery model will be used. In the case of Northern Ireland, they will use "local authority-led community planning partnerships" (page 356). On page 356 it is also stated that "the submission of robust plans from local government may allow for delegation of project selection within agreed limits by the managing authority". The Commission would like to remind the UK authorities that beneficiaries cannot be allocated functions pertaining to the managing authority.

- The reference to Article 65 (11) of the CPR included in page 231 appears to be incorrect. This Article does not preclude the possibility that an operation be co-financed by both the ESI Funds and Horizon 2020. On the contrary, the Article foresees that an operation be financed through different EU instruments, provided that double funding is avoided.
- Scotland: The potential for synergies with other EU funding programmes should be better explained. The section is rather weak and does not acknowledge the challenges associated with combining programmes or providing the same level of support for beneficiaries (i.e. like the proposed smart specialisation hub in England) – an online portal is proposed but a wider network would be more effective. The Commission would welcome further explanation on the relations between the JPMC, the PMC and the specific management fora, as well as clarification, of their roles.
- Wales: Potential synergies with Horizon 2020, COSME, Erasmus+, etc. should be described in more detail as it appears that not all instruments have been considered.
- Northern Ireland: No analysis is made of potential synergies with Horizon 2020, COSME, Erasmus +, etc. The Commission understands that work is ongoing on possible areas of complementary intervention by the ESI Funds and that details will be provided in the future programmes. Some narrative on this matter should be included here.
- Regarding rural development, the arrangements to seek to maximise synergies between the first and the second pillars of the Common Agriculture Policy (CAP) still require further development in the England, Scotland and Northern Ireland chapters. The Wales chapter does not seem to include narrative on this issue. This should be remedied.
- As regards the Northern Ireland chapter, information regarding the concepts of authority-led community planning partnerships, coordinated approaches involving local plans, the future role of LAGs/ FLAGs and local government councils, etc. is still unclear and needs clearer explanations.
- As mentioned in Part I, clear commitments are expected already at this level to ensure an effective implementation of the EMFF in the UK.
- The European territorial co-operation(ETC) goal is not mentioned at all in point 2.1 of the UK chapter. However, point 2.1 should set out the co-ordination mechanisms between the different bodies responsible for implementing ESIF programmes and, in

particular, between those responsible for ensuring synergies and complementarity between the Investment for Growth and Jobs goal and the ETC goal. Point 2.1 of the UK chapter should at least refer to ETC as well as to the role of the cross-administration ETC Board at UK level (cf. point 3.1.4 UK chapter).

- When referring to single programme committees or boards for *all* ESI Funds at nation level, it should be indicated whether these will also cover the ETC goal. Except for Northern Ireland, it is not sufficiently clear which co-ordination mechanisms will be used with regard to ETC (e.g. by mutual participation in monitoring committees as in Northern Ireland)
- Greater awareness of complementary investments could be ensured by installing a tracking system for synergies between ETC programmes and other EU programmes, e.g. by asking in applications.
- In the event that Article 65(11) for combining ETC funding with other ESI Funds or other Union instruments in the same project were to be applied, a system of conditional commitment of funding should be foreseen.
- As regards England, section 2.1 does not refer to ETC co-ordination arrangements. It should be explained how an effective and timely co-ordination will be ensured (e.g. will this be covered by the UK-wide ETC board mentioned in point 3.1.4. of the UK chapter? Will the National Growth Board seek co-ordination with the ETC PMCs concerning England? How will LEPs be able to link to the ETC programmes? cf. point 3.1.4 (3) England chapter.)
- Section 2.1 of the Scotland chapter states that there will be a single Joint PMC to provide strategic direction and to monitor the progress of all ESI Funds. It remains unclear whether this will also include the ETC goal.

2.2. The information required for ex ante verification of compliance with the rules on additionality (based on Annex XI CPR)

N.A.

2.3. A summary of the assessment of the fulfilment of applicable ex ante conditionalities in accordance with Article 19 and Annex XI of the CPR at national level and, in the event that the applicable ex-ante conditionalities are not fulfilled, of the actions to be taken, the bodies responsible, and the timetable for their implementation of those actions

- Please refer to relevant comments included in Part I of the present document.
- Under general ex-ante conditionalities (EACs) please, confirm the involvement of the EHRC and other relevant social bodies throughout the preparation of the PA and programmes.
- We note that the UK authorities consider the general EAC on State aid as fulfilled. However, the criteria to assess the fulfilment or not of the EAC do not seem to be complied with. The Commission would appreciate to receive further information on the following:

- arrangements for the effective application of EU state aid rules: the PA contains only general information on the availability of advice and guidance, but no reference is made as to how the effective application of EU rules is ensured. The Commission would welcome information on how the UK authorities verify: (1) compliance with cumulation rules and the so-called Deggendorf obligation; (2) that of amended aid schemes with the original approval decisions or the General Block Exemption Regulation; (3) how all relevant bodies, including the managing authorities, comply with state aid rules; (4) existing capacity to enforce recovery orders; (5) procedures in place to ensure eligibility and compatibility of operations; and (6) appropriate knowledge of aid granted, including *de minimis* aid.
 - arrangements for training and the dissemination of information for staff involved in the implementation of the funds: no information is given on training and little on how information is disseminated
 - arrangements to ensure administrative capacity for implementation and application of EU state aid rules: although mention is made of the availability of technical guidance documents and expert advice, there is no mention of the existence of sufficient administrative capacity in terms of a sufficient number of appropriately qualified staff.
- Further to this, the UK is invited to explain how their existing State aid schemes will be adapted to take account of the entering into force of the State Aid Modernisation package on 1 July 2014.
 - One of the major elements of State Aid Modernisation is the move from *ex ante* to *ex post* control with the introduction of the evaluation of State aid schemes. The Commission would welcome information on how the UK authorities are preparing for the new tasks that the evaluations will require.
 - The assessment of the general EAC on environmental legislation (Environmental Impact Assessment/ strategic environmental assessment or EIA/SEA) is incomplete, the reference given in the assessment grid is not sufficient. Clear references and web links are needed on how guidance is provided, training organised and capacities ensured. In addition the Commission attentively observes the fulfilment of the SEA obligations when big strategic transport infra-structures (such as airports, strategic railways,) are assessed in the UK. Due to the fact that a legal obligation to adopt plans for transport does not exist for some transport types e.g. High Speed Rail, there might be indications that such plans or programmes bypass SEA requirements. This issue has to be clarified especially because the UK intends to invest in infrastructure for which transport plans including an SEA are separate ex-ante conditionalities.
 - The general EAC on statistical systems and result indicators is applicable and has to be assessed. The Commission does not agree with the UK assessment that this EAC is not applicable at the level of operational programme.
 - The EAC table states in point 7.3 that it is not expected that any of the ESI Funds will make investments under these categories, including ports and airports. How does this reconcile with the statement on page 189 - paragraph 145 that "[...] transport connectivity including roads, rail, ports and air are a key driver for a successful growth in the less developed region"? How does it reconcile with choosing all five Investment Priorities under TO7, including IP (7)(c)?

- The fulfilment of all EACs should be described in the PA, including those EACs listed in the Annex of the Rural Development Regulation. EACs 4.1, 4.2 and 4.3 are missing. They may be fulfilled at nation level and handled in the respective RDPs, but a summary of the fulfilment should be provided in the PA. The statement that these EACs will be updated as necessary in 2015 (new Regulation on the first pillar of the CAP), should be added to the text.
- Fulfilment of EAC 2.1 ("Digital growth: A strategic policy framework for digital growth to stimulate demand for affordable, good quality and interoperable ICT-enabled private and public services and increase uptake by citizens, including vulnerable groups, businesses and public administrations including cross border initiatives") is not demonstrated. The UK authorities only list relevant broadband plans. These are sufficient to fulfil *ex-ante* conditionality 2.2 (NGN Plan), but not 2.1 (digital growth).
- The assessments of fulfilment for EACs 8.1, 8.3, 8.6, 9.1, 10.1, 10.2, 10.3 and 10.4 is missing and is applicable at UK and OP levels.
- The Commission would like to remind the UK authorities that for any EACs which are considered as partially unfulfilled and which are the responsibility of national bodies, the PA needs to include information on (i) the action to be taken to fulfil them and (ii) the timeframe for the implementation of such actions (tables 13 and 14 of the PA template).

2.4. The methodology and mechanism to ensure consistency in the functioning of the performance framework in accordance with Article 21 of the CPR

- Paragraph 4 of the England chapter (page 233) refers to EMFF synergies with other ESI Funds and not to the functioning of the performance framework
- We suggest including specific information on the Performance framework methodology for Gibraltar.

2.5. An assessment of whether there is a need to reinforce the administrative capacity of the authorities involved in the management and control of the programmes and, where appropriate, of the beneficiaries, as well as, where necessary, a summary of the actions to be taken for that purpose.

- Areas requiring more clarity are: a) the role and functioning of LEPs in England and their funding arrangements; b) explanations as to how greater *ex-ante* management verifications related to public procurement will be ensured; c) scope for better integration of IT systems between countries to ensure efficiency, inter-operability and consistent reporting. Each devolved national system for funds administration is different. This does not appear to be very efficient, especially in areas like IT systems for reporting under common regulations. It is not clear whether there is any effort to learn lessons between different devolved nations about efficient fund administration structures nor to explore potential synergies in the development of common IT systems.
- UK chapter: The need for an enhanced role for BIS is recognised both for an enlarged scope of coordination and to develop the overall performance monitoring function to report UK-wide progress in a consistent way and there is a bland statement that

adequate resources will be made available. It is not made clear if any of the Technical Assistance (TA) funds will be centrally available to fund additional posts or the operation of "virtual team" structures

- England: There is no clear statement about the staff resources that will be committed to ESIF management
- Scotland: a lead partner delivery model is proposed to achieve scale benefits. Greater clarity is required on how TA funds will be used to cover their costs related to "additional work they have not previously had to carry out". TA can only be used to fund salary costs of staff in official fund management bodies.
- Northern Ireland: Arrangements will build on existing experienced MA bodies. There is an explicit reference to an appointment process for Intermediate Bodies (IBs) which will involve an assessment to be provided on their administrative capacity and training to address weaknesses. There is no mention of the use of TA in NI and this should be added for consistency with other country chapters.
- Please confirm in section 2.5 that Gibraltar's IT systems are ready to ensure minimum requirements in terms of individual ESF data collection, validation analysis and transfer. Evidence is needed of the Gibraltar systems capacity to collect data validation and transfer.

2.6. A summary of the actions planned in the programmes, including an indicative timetable for the achievement of a reduction in the administrative burden for beneficiaries

- Will the concept of "lead partner" in the Scotland chapter be applicable in the context of EAFRD governance? If yes, how would it work *vis-à-vis* LAGs/ FLAGs?
- The Northern Ireland chapter should include an indicative timetable for the actions planned.

3. DESCRIPTION OF THE INTEGRATED APPROACH TO TERRITORIAL DEVELOPMENT SUPPORTED BY THE ESI FUNDS OR A SUMMARY OF THE INTEGRATED APPROACHES TO TERRITORIAL DEVELOPMENT BASED ON THE CONTENT OF THE PROGRAMMES (ARTICLE 15(2) (A) CPR)

3.1. The arrangements to ensure an integrated approach for the use of the ESI Funds for the territorial development of specific sub-regional areas (Article 15 (2)(a) (i) CPR)¹⁰

- The UK authorities have to ensure that this chapter is consistent with the information in the chapters by nation. At the moment there are some discrepancies, for example, on integrated territorial investments (ITIs) – the UK chapter says that Scotland is

¹⁰ Includes comments on sections 3.1.1:CLLD; 3.1.2: ITIs; 3.1.3: sustainable urban development; 3.1.4: ETC; 3.1.5: integrated approach to address specific needs of geographical areas most affected by poverty or of target groups at highest risk of discrimination or social exclusion) and 3.1.6: integrated approach to address demographic challenges of regions or specific needs of geographical areas which suffer severe and permanent natural or demographic handicaps.

considering this option while the Scottish chapter states that Scotland has considered ITI model but will not use it.

3.1.1. Community-led local development

UK

- Cooperation between the ESI Funds, synergies and clear arrangements/national coordination to ensure an integrated CLLD approach should be better explored through the local development strategies or stronger cooperation between LAGs and FLAGs. See Part I for comments on the fisheries local action groups.

England

- The CLLD section is reasonably comprehensive but several aspects need to be strengthened: (i) the main objectives to be achieved by the use of CLLD need to be brought to the fore; (ii) the role of the ERDF and ESF needs to be made clearer – as it is for EAFRD and EMFF; (iii) there needs to be an approximate planned budget allocation for each fund included; (iv) the description of the administrative set-up needs to be more detailed; and (v) the arrangements for preparatory support need to be clarified.
- The chapter does not answer the fundamental question of why the use of CLLD is important and a necessary tool in England to be supported by the ERDF and ESF. A CLLD model is not a programme delivery mechanism and the amount as well as the number of CLLDs proposed by LEP strategies has to be reconsidered. Any CLLD will have to demonstrate the match with the ESIF Programmes and not the LEP strategies.
- The CLLD chapter states that CLLDs will contribute to all the other TOs chosen by England. In this case the demarcation between the OP sectoral interventions and those under CLLDs is not clear.
- The approach to multi-fund CLLDs is not clear. As England proposes to use all four ESI Funds for the purpose of CLLDs, the integration and complementarity between them is not clear. Complementarity with the mainstream interventions has to be explained too.
- This chapter has to explain which territorial challenges (described in section 1) CLLDs will address. The section has to specify the target groups.

Scotland and Wales

- Several aspects of the CLLD section still need to be strengthened: (i) the main challenges that CLLD will address; (ii) the role of the funds; (iii) how an integrated approach will be ensured; (iv) detail on the budget allocation; (v) detail on the administrative set-up; (vi) the role of the LAGs/FLAGs; and (vii) the arrangements for preparatory support.

Northern Ireland

- The CLLD approach is compulsory for EAFRD and recommended under EMFF; therefore the arrangements need to be set out. The following needs to be addressed: (i) the main objectives to be achieved through the use of CLLD; (ii) the main challenges to be addressed; (iii) the thematic focus and target groups; (iv) the TOs

towards which CLLD will contribute; (v) the type of territories to be targeted; (vi) which funds will be used; (vii) detail on the budget allocation; (viii) detail on the administrative set-up; (ix) the role of the LAGs/FLAGs; and (x) the arrangements for preparatory support.

3.1.2. *Integrated Territorial Investments (ITI)*

Northern Ireland

- It is stated that Northern Ireland is anxious to pursue the possibilities offered by ITI but awaits clarification on the implications of the mechanism. The Commission are of course ready to provide any such clarification as needed.
- The statement on JAP is unrelated to this section and should be relocated.

3.1.3. *Sustainable Urban development*

UK Chapter

- Page 6 paragraph 3 (and the table on indicative allocation) needs to be clarified in relation to 3.1.3 (p. 16) on the topic of sustainable urban development (SUD):
 - In paragraph 3, explicit reference is made to the fact that London will be made an Intermediate Body - the implication seems to be that the English Core Cities referred to on page 16 will not be IBs. Is this a correct interpretation? If so, the Core Cities would not be considered for complying with Article 7 of the ERDF Regulation, would not be counted towards the 5% and would not be part of the Urban Development Network.
 - Article 7 requires that SUD be carried out via an ITI, a specific OP or a specific priority axis. The Commission understanding (based on a reading of the UK and England sections) is that it is being proposed that Article 7 SUD will be carried forward solely through a priority axis in the English ERDF OP – is this correct?
 - Is this priority axis specific to SUD in line with Article 7?

England

- This section needs a significant degree of clarification:
 - No mention at all is made of London despite the fact that it is seemingly the route through which the 5% requirement will be met.
 - It states that there will be a separate priority axis dedicated to SUD in the English ERDF OP. What is the indicative allocation to this priority axis?
 - Is this proposed priority axis specific to SUD in accordance with Article 7?
 - Are the core cities to receive funding in accordance with ERDF Article 7, i.e. delegation of selection of operations, IB status etc.?
 - Core cities with urban strategies agreed by Government will not be able to access the Urban Development Network unless the arrangements are fully in accordance with the requirements of Article 7.
 - What are the criteria for the Government to decide if the strategies of the core cities are acceptable?

- How does the specific priority axis in the English ERDF OP relate to the maximum 10% of the ERDF funding in the relevant LEP areas' allocations? This is unclear.

3.1.4. The main priority areas for cooperation under the ESI Funds, taking account, where appropriate, of macro-regional strategies and sea basin strategies

UK Chapter

- There is a mention of the amounts devoted to the future Peace programme on page 6, paragraph 2. The total amount of EU funding should be updated to the final amount proposed, i.e. EUR 229 million.
- The UK advocates for significant changes in how the ETC programmes are managed, including tighter controls on technical assistance (TA). The UK aims to ensure that national co-financing burdens "are minimised as far as legally possible". Although any controls orientated to ensure greater efficiency in the execution of TA are welcome, the reduction of the TA national co-financing rate should not endanger the correct implementation of the programmes. This needs to be decided in agreement with the partner Member States and cannot be pre-empted in the PA text.
- There is mention of a cross-administration ETC Board and programme sub-committees. It remains unclear whether the ETC Board will co-ordinate and interact with the Growth Board and with the 39 local sub-committees for England and whether this is the mechanism to ensure synergies and complementarity?
- The PA should mention that the areas of co-operation proposed in its different sections have been coordinated and discussed with the other Member States involved.
- References to the Atlantic Strategy are very general. The document should describe in more detail how the ETC and cross-border programmes will be used to implement the Atlantic Action Plan, given the need for cooperation between Member States.

England

- The Commission welcomes that section 3.1.4 now states the desired areas for intervention of ETC programmes. However, the level of detail provided goes beyond the definition of the cooperation areas, i.e. it includes the definition of concrete interventions. (e.g. Part 2, page 17). These should not be defined at PA level but at programme level.
- Part 2 page 17 mentions that: "Innovation spending will clearly have a focus on new, cutting-edge technologies. However, English programmes should not take a narrow approach and only focus on a small range of sectors; programmes need to be open to delivering the best return on investment". Selecting a small range of sectors or not should be analysed at programme level (and not at PA level), after a previous analysis of the potential for co-operation offered by different smart specialisation strategies.

Scotland:

- Paragraph 15 (p. 28) should refer to "ESI" and not "EMFF" funds. In addition, the reference to the proposed interventions through the EMFF (paragraph 16) seems too detailed for the moment.

3.1.5. *Where appropriate, an integrated approach to addressing the specific needs of geographical areas most affected by poverty or of target groups at highest risk of discrimination or social exclusion, with special regard to marginalised communities, persons with disabilities, the long term unemployed and young people not in employment, education or training (Article 15(2)(a)(iii)CPR)*

Northern Ireland

- In the Northern Ireland chapter in relation to the specific needs of areas most affected by poverty more detail is needed on the following:
 - What are the specific needs of the areas mentioned?
 - What is the strategy to address those needs?
 - Are there particular target groups within those areas that will be focused on?
 - What ESI Funds will be used to implement the strategy? What will be their role?

3.1.6. *Where appropriate, an integrated approach, to address the demographic challenges of regions or specific needs of geographical areas which suffer from severe and permanent natural or demographic handicaps as referred to in Article 174 of the TFEU (Article 15(2)(a)(iv)CPR)*

Scotland

- In the Scottish chapter 3.1.6, paragraph 4 on page 31 is mislabelled: it should actually be the heading 3.1.6.

4. ARRANGEMENTS TO ENSURE EFFICIENT IMPLEMENTATION OF THE ESI FUNDS

4.1. An assessment of the existing systems for electronic data exchange, and a summary of the actions planned to gradually permit all exchanges of information between beneficiaries and authorities responsible for management and control of programmes to be carried out by electronic data exchange

- As mentioned in the UK chapter regarding the IT system of electronic data exchange, it is foreseen that all EMFF bodies will be able to make use of a single data exchange platform. The applicants will be able to apply for funding through a web-based customer acquisition platform. These commitments have to be reflected in the country-specific chapters as well.
- Northern Ireland chapter: preliminary information is provided, but this should be reinforced to provide a complete assessment of existing systems for electronic data exchange and a summary of the actions planned for moving to full electronic exchange.
- Scotland and England: A summary of the actions planned to implement the new system and to enable the exchange of data with beneficiaries should be included with indicative deadlines.

- Gibraltar: Please specify the services offered to beneficiaries (paragraph 3) and indicate when the new IT system will be operational (paragraph 4).