**Targeted consultation on the ex-post evaluation of the Regional Aid Framework 2014-2020**

**Response from the West of Scotland European Forum**

1. **INTRODUCTION**
   1. The West of Scotland European Forum (WOSEF) welcomes the opportunity to provide stakeholder comment regarding the evaluation of the 2014-20 EU Regional Aid Framework.
   2. WOSEF is a grouping of the 12 local authorities (plus a number of other organisations) in the region. It has a long standing interest in development and implementation of successive iterations of the EU Regional Aid Guidelines. WOSEF has also an active association with the Industrial Communities Alliance (ICA) and collaborates very closely with this organisation on state aid issues.
   3. It is important to note that the local authorities within WOSEF do not directly use the provisions of the Regional Aid Guidelines to any significant extent. In the main aid awarded by WOSEF members is through other elements of the General Block Exemption Regulation – in particular the provisions relating to training/employment aid and support for SMEs together with the “de minimis” regulation.
   4. The main interests of WOSEF in relation to the Regional Aid Framework lie in:

* The designation of Assisted areas;
* The parameters governing the award of aid to undertakings within Assisted Areas; and
* Monitoring the actual use of the provisions of the Regional Aid Guidelines and lobbying other public bodies to optimise the opportunities to award aid using the Regional Aid Guidelines.

1.5 The Forum is of course aware of the current UK Government’s intention to leave the EU. However there is still a degree of doubt as to whether this will take place and if so on what terms and conditions. It may well be the case that any agreement on the future relationship between the UK and the EU will require fairly close alignment on state aid rules including those provisions relating to regional aid. WOSEF therefore believes that it is appropriate to respond to this consultation.

**2.0 THE REGIONAL AID GUIDELINES AND THE WEST OF SCOTLAND**

2.1 The West of Scotland was one of the first parts of the UK to industrialise in the 19th century and was likewise one of the first regions in the country to have the face the challenges of industrial restructuring from the early decades of the 20th century onwards. Indeed the very earliest UK “Assisted Area” map, dating from the mid 1930s, included large parts of the West of Scotland.

2.2 This extensive Assisted Area coverage within the region has continued until the present time. In the 2014-2020 period. Currently about 51% of the region’s population level live within category “c” Assisted Areas, compared to 54% in the 2007-2013 period.

2.3 The main instrument that makes use of the Regional Aid Guidelines in Scotland is the Regional Selective Assistance (RSA) scheme delivered since 2009 by Scottish Enterprise. While SMEs in all parts of Scotland can access RSA, awards to large firms can only be made within Assisted Areas and aid intensities available for SMEs are higher in Assisted Areas than elsewhere.

2.4 The majority of RSA activity in Scotland has taken place within the West of Scotland as shown in the appended table.

**3.0 LESSONS FROM THE CURRENT REGIONAL AID FRAMEWORK**

3.1 WOSEF fully endorses the need for regional aid to be given within a clear regulatory framework to avoid wasteful subsidy wars. Correctly applied, aid awarded through the Regional Aid Guidelines can form an essential part of the regional development “toolkit” acting alongside EU and domestic funding streams.

3.2 WOSEF has been concerned that the impact of the 2014-20 Regional Aid guidelines has been to diminish the contribution that assistance uniquely available through the Regional Aid Guidelines has made to regional development within the West of Scotland. As the table on RSA activity shows the impact of the current guidelines has been to reduce the value of RSA awards in Scotland by around two thirds compared to the previous period. Given that this is not due to a reduction in population coverage (actually slightly greater in Scotland than previously), the main reason for this must surely lie in the reduced aid intensities and in particular the limitation on aid awarded to larger firms in category” c” areas to “new initial investment”.

3.3 The Forum notes from the European Commission’s State Aid Scoreboard that there has been a significant reduction in regional aid across the EU. In 2012-14 the average amount of such aid came to over €13bn per annum; the corresponding figure for the 2015-2017 period was less than €10bn. There is no compelling evidence that a reduction in regional economic disparities either at EU or Member State level would justify such a change. Indeed regional economic disparities in the UK, already the most spatially unequal country within the EU, have actually widened in recent years. This points to a need for future Regional Aid Guidelines to give greater recognition of economic disparities within Member States.

3.4 Consequently WOSEF would argue that when the formal process of the review of the Regional Aid guidelines takes place the following points should be considered:

• The population coverage of the Assisted Areas in each member state (including the UK) should give greater emphasis to the extent of regional inequalities within that member state as well as disparities across the EU as a whole;

• Aid intensity ceilings should be sufficient to make a difference to business decisions. The current 10% maximum aid intensity for larger firms in most category “c” areas is at the very margins of having an incentive effect;

• There should be scope to support “new initial investment” by larger firms in all category “c” areas rather than the current exclusive focus in such areas on inward investment and SME expansion – welcome though both these are; and

• Aid should only be given when it can be demonstrated that a project would not otherwise have gone ahead in the same location or on the same scale or timescale.

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July 2019

**REGIONAL SELECTIVE ASSISTANCE – ACCEPTED GRANT OFFERS 2012-2018**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| YEAR | VALUE OF ACCEPTED RSA OFFERS – WEST OF SCOTLAND | TOTAL VALUE OF ACCEPTED OFFERS | % | NO OF JOBS CREATED/SAFEGUARDED – WEST OF SCOTLAND | TOTAL NO OF JOBS CREATED/SAFEGUARDED | % |
| 2012 | £17.8m | £35.2m | 50.6% | 2,226 | 3,770 | 59.0% |
| 2013 | £32.5m | £53.0m | 61.3% | 4,202 | 6,766 | 62.1% |
| 2014 | £37.4m | £70.5m | 53.0% | 6.425 | 9,811 | 65.5% |
| 2015 | £11.3m | £17.4m | 64.9% | 1,294 | 1,839 | 70.4% |
| 2016 | £8.8m | £12.6m | 69.8% | 962 | 1,342 | 71.7% |
| 2017 | £10.5m | £16.0m | 65.6% | 1,182 | 1,822 | 64.9% |
| 2018 | £14.6m | £21.1m | 69.2% | 1,471 | 2,194 | 67.0% |

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