ANNEX A – CONSULTATION DETAILS AND RESPONDENTS

(DETAILS OF THE CONSULTATION RESPONSES, AND LIST OF THOSE WHO PARTICIPATED)

The Vision

1.1 Out of the 127 responses received, 65% agreed with the overall vision for West Wales & the Valleys, 26% of respondents did not express an opinion, and the remaining 9% did not agree. It was felt that the vision was ambitious, aligning with both the Lisbon and Gothenburg agendas.

The Analysis and SWOT

1.2 61% agreed with the overall analysis of the strengths, weaknesses, opportunities and threats facing the region, 9% did not agree and 30% did not answer. The main themes emerging in comments were the need to achieve a better balance between lower level and higher level skills, and the need for a greater recognition of environmental threats, including climate change.

The strategy, aims and objectives

1.3 69% agreed with the overall strategy set out in the Convergence programme documents, 6% did not agree, and the remainder did not comment. However, even amongst those that agreed there were polarised views on the degree to which the programmes should support Lisbon earmarking targets, with respondents from Local Government generally being less positive about earmarking resources, and respondents from Higher Education pressing for a stronger emphasis on Lisbon.

1.4 A number of respondents called for greater clarity on how the Wales Spatial Plan would be used in relation to the programmes, as well as requests for more information on strategic frameworks, an emphasis on the importance of partnership and the importance of developing skill levels. There was a significant call to strengthen the emphasis on the importance of tourism within the economy of West Wales & the Valleys and the part that cultural and heritage activities and businesses can play.

Monitoring and evaluation strategy

1.5 Nearly all of those who expressed an opinion (56 respondents) agreed with the monitoring and evaluation strategy, whilst the remainder did not comment. A number of respondents called for the provision of training, guidance and support for project level evaluations. Others emphasised the need for qualitative measures

and indicators as well as quantitative. Many respondents also suggested additional indicators and highlighted other areas they felt should be in this strategy.

Innovative actions and trans-national activities

1.6 Amongst those who commented, there was a generally positive response to the proposals for mainstreaming innovative actions and transnational activities, with a wide range of suggestions on potential themes.

The Priorities

1.7 Respondents were generally supportive of ESF Priority 1 – Increasing employment and tackling economic inactivity. Some respondents felt there could be stronger links drawn to improving the health of the workforce and tackling transport barriers. Others highlighted the needs of particular groups, including older workers, ex-offenders and post graduates.

1.8 The main issues raised on ESF Priority 2 – Improving Skills, concerned the balance of skills investment. Some respondents, including HEIs, argued for a stronger emphasis on higher level skills to support the knowledge economy (see also ERDF Priority 1), while others agreed with the strong focus on lower level and basic skills. Some respondents also highlighted the need for adequate provision for investments in the learning infrastructure.

1.9 There were very mixed views on ESF Priority 3 – Making the Connections. Some respondents strongly supported investments aimed at improving the quality of public services, while others questioned its inclusion in the programme. Most felt there was a need for this small priority to be carefully focused if it was to achieve a real impact.

1.10 The focus of ERDF Priority 1 – Knowledge and Innovation for Growth, was broadly welcomed, although a number of respondents suggested merging the theme on ICT infrastructure under Priority 2 with the ICT exploitation theme under Priority 1. Some respondents also suggested that the priority might be sub divided into two priorities, the first covering R&D and Innovation (and possible ICT) and the second entrepreneurship and business finance. A significant number of respondents emphasised the importance of developing stronger synergies with the EU's Framework Programme 7.

1.11 Responses to ERDF Priority 2 – Creating an attractive business environment, were quite varied. A significant number of respondents emphasised the importance of transport and physical infrastructure for attracting businesses, with some, particularly local authorities, calling for a new theme on "strategic sites and premises". Others cautioned against significant investments in road building and called for a stronger emphasis on investments in improving and safeguarding the environment, including addressing climate change issues.

1.12 Many respondents felt that ERDF Priority 3 – Building Sustainable Communities was too broadly focused and highlighted the potential for overlap with Priorities 1 and 2. Some suggested a stronger focus on town/village centre regeneration, while others suggested that physical regeneration should be transferred to Priority 2. Others welcomed the scope to support integrated strategies for regeneration and emphasised the importance of supporting community and social businesses.

Cross-cutting themes – Equal Opportunities and Environmental Sustainability

1.5 There was broad agreement to the approach to the cross cutting themes. Generally respondents welcomed the approach to mainstreaming cross cutting themes and where they disagreed, it was usually on specific details not the principle. The cross cutting themes should be seen as integral to projects not as an "add-on, bolt-on, or tick box exercise". Support and guidance for project sponsors is seen as crucial.

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Implementation arrangements

1.6 There was general support for the proposed 60/40 split between ERDF and ESF. Other respondents pressed for increases or decreases for certain priorities, largely reflecting their particular interest. For example HEIs generally argued for more investment in R&D and innovation, local authorities for Building Sustainable Communities and the Voluntary Sector for Community Economic Development.

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1.7 Most respondents sought further information on the proposed approach to strategic implementation, particularly how strategic frameworks would work in practice and the role of partnerships.

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1.8 There was overall support for a single all-Wales PMC, with a number of reservations. Perceived advantages were better co-ordination and resource management, with fewer demands on the private sector. Perceived problems were inability to focus on complexities of the Convergence region, widely differing needs between the Convergence and Regional competitiveness regions, and lack of clarity on the objectives of the different programmes and associated roles.

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1.17 The changes made to the ESF programme as a result of the consultation include:

- The programme has been re-structured into four priorities instead of three. There were no significant changes to the structure of ESF Priority 1, which remains focused on supporting the economically inactive into employment, and helping those with work-limiting health conditions remain in employment, but it has been renamed Priority 2 – Increasing employment and tackling economic inactivity.

- ESF Priority 2 - Improving skills, has been split into two separate priorities: a new Priority 1 - Supplying young people with the skills for learning and future employment, which focuses exclusively on young people, particularly those at risk of becoming disaffected and disengaged from education or training; and improving their access to learning opportunities.

- The second priority, renamed Priority 3 - Improving skill levels and the adaptability of the workforce, focuses upon broader skills development of the workforce particularly improving basic skills; helping businesses and organisations identify skills gaps and adapt to changing skills needs; and supporting gender equality in employment.

- Priority 3 – Making the Connections, now re-named Priority 4 – Modernising and improving the quality of our public services, focuses upon two key aspects: transforming public services through more effective collaborative working; and building the capacity of public services sectors to deliver higher quality services, thus meeting the strategic need for delivery of more effective and efficient services across the West Wales and the Valleys region.

1.18 The changes made to the ERDF programme as a result of the consultation include:

- The programme has been re-structured into five rather than three priorities to give a clearer focus on what the key priorities are and to avoid single large priorities.

- The focus of the proposed ERDF Priority 1 (Knowledge and Innovation for Growth), has been strengthened. The theme on ICT infrastructure under Priority 2 has been merged with the ICT exploitation theme under Priority 1. This priority has been divided into two priorities, the first covering R&D and Innovation and the second entrepreneurship and business finance. The synergies with the EU's Framework Programme 7 have been strengthened.

- The proposed ERDF Priority 2 – Creating an attractive business environment, has also been split into two priorities: one covering transport and strategic infrastructure and the other energy and the environment. In response to the calls from some, particularly local authorities, a new theme on "strategic sites and premises" has been created. Furthermore, the priority on transport and strategic infrastructure will contain a theme covering strategic business sites and targeted education infrastructure investments.

- Sections of the Convergence Operational Programmes have been strengthened where gaps have been identified, for the strengths of higher education and the opportunities presented by tourism and ERDF Priority 3 – Building Sustainable Communities has been re-drafted to focus more clearly on areas of most need and opportunity.

1.19 There was widespread, not unanimous, agreement with the proposal to establish a single Programme Monitoring Committee (PMC). During the consultation events there were concerns that PMC membership reflected vested interests, and engagement by PMC members has waned as the programmes have moved close to full commitment. The single PMC structure will be retained, and appointments will be made on merit rather than inviting representatives. We will seek to ensure that expertise is appointed covering all relevant sectors (eg private business, voluntary sector and local government) rather than seeking nominations. We will also need to ensure that whilst the Convergence area is the priority, the interests of the East Wales area are also covered. More detail is given in the implementation chapter.

1.20 Further advice on Strategic Frameworks has been provided to stakeholders since the consultation and, in October 2006, WEFO consulted on initial proposals for Strategic Frameworks. Stakeholders continue to be updated on progress with Strategic Frameworks and the use of the Spatial Plan through the website, mailing lists and meetings with officials. These sections of the Operational Programmes have been strengthened.

1.21 Consultees emphasised the need to include qualitative measures, as well as quantitative indicators, to give definitions of indicators, and that proposed indicators did not always align as well as they might with the objectives for the priority. The revised Operational Programme emphasises the link between monitoring and evaluation and the role of evaluation in reporting the qualitative aspect of project achievements. Definitions will be provided for all monitoring indicators in the Programme (as separate guidance, which will be checked with a sample of project sponsors) and we believe that the final indicators better link to priority objectives. Indicators suggested through the consultation have been considered in this context and some have been included, for example, private sector investment.

1.22 A number of excellent ideas have also been put forward by respondents on the mainstreaming of innovative actions and trans-national activities. These will be considered in the implementation of these aspects of the programmes.

LIST OF RESPONDENTS

	NAME	**ORGANISATION**
1.	Stephen Lord	PRIME Cymru
2.	Andre Misell	Diabetes UK
3.	Jeff Pride	HERIAN
4.	J H Hughes	
5.	Gwyneth Stroud	Wales Management Council
6.	Captain Wyn Parry	Stena Line Ports
7.	Prof Antony J Chapman	UWIC
8.	Alison Kinsey	Ceredigion Economic Regeneration Partnership
9	Lisa Willis	Neath Port Talbot Obj 1 Partnership

10	Ian Roffe	University of Wales Lampeter
11	Gareth Jones	Blaenau Gwent Regeneration Partnership
12	Zoe Brewis	Chwarae Teg
13	Non Rhys	Federation of Small Business
14	Owen Evans	BT
15	Harry Thomas	Gwynedd CC
16	F B Callus	CCET Coleg Gwent
17	Peter Slater	Coalfields Communities Campaign
18	K Sawyer	Neath Port Talbot CBC
19	Prof Leslie Hobson	University of Glamorgan
20	Gareth Jones	Blaenau Gwent CBC
21	Beverley Penney	Ramblers Association
22	Paul Orders	Cardiff Council
23	Jocelyn Llewhellin	Job Centre Plus
24	Phil Gummett	HEFCW
25	Huw Onllwyn Jones	Bwrdd yr Iaith Gymraeg
26	Prof Paul Beynon-Davies	Ecommerce Innovation centre
27	Alun M Thomas	Dwr Cymru Welsh Water
28	Douglas Reid	Merthyr Tydfil CBC
29	Alun Ffred Jones	Plaid Cymru
30	Prof Sian Pope	University of Wales Bangor
31	Claire Morris	EIN committee NAW
32	Lucy Von Weber	South West Wales Tourism Partnership
33	Sasha Davies	Ynys Mon
34	Sian Williams	Tourism partnership North Wales
35	Alun Jones	Menter a Busnes
36	Owain Wyn	Royal Town Planning Institute
37	Katie-Jo Luxton	RSPB
38	Ruth Coombs	Mind Cymru
39	Gil Hurley	Prison Service
40	Steve Lazell	South East Wales Economic Forum
41	Peter Sishton	Sector skills Council for IT and Telcoms
42	John Winton	Churches Tourism Network Wales
43	Mike Clarke	Remploy
44	Abigail Phillips	European and External Affairs Cttee NAW
45	Abbie Hughes	Environment Agency Wales
46	Julie Williams	Swansea University
47	Edward Baldascino	Coleg Morgannwg
48	David Lermon	Institute of Chartered Accountants
49	Christine Chapman AM	Assembly Member
50	Cerys Furlong	NIACE Dysgu
51	Roger Thomas	CCW
52	Peter Hynes	ILM group
53	Gwyn Evans	Pembrokeshire CC
54	Christine Holvey	Opportunity Wales
55	Dot Collis	Planning Division, WAG

56.	Calvin Wynne Davies	Antur Waunfawr
57.	David Ware	Blaenau Gwent CBC
58.	Neville Davies	Carmarthenshire CC
59.	Mark Haliwell	Bridgend CBC Economic Partnership
60.	Geraint Hopkins	Wales Environment Link
61.	Zelie Flach	UNA (Private Sector)
62.	Julian Burrell	Wales Tourism Alliance
63.	Lee Elwell	TTFW
64.	Bob Brierley	SEWTA
65.	Paul Relf	CC Swansea
66.	Richard Crawshaw	South West Wales Economic Forum
67.	Gail Le Grove	National Child minding Association
68.	Mattew Price	SURTRANS
69.	Hannah Pitt	National Trust
70.	Gwennan Jones	University Innovation Bangor
71.	Mike German AM	Assembly Member
72.	Miss EMB Morgan	Ceredigion CC
73.	Sheila Potter	Conwy CC
74.	Marcus Judd	South West Wales Integrated Transport Consortium
75.	Joan Asby	PLANED
76.	David Seal	Wales Centre for Health
77.	Judith Stone	WCVA
78.	Simon Harris	Wales Co-op Centre
79.	Mark Richards	National Museum
80.	Simon Harris	Social Enterprise Network
81.	Claire Saralis	Chamber Wales
82.	Mark Potter	Probation Service
83.	Glen Peters	Rhos y gilwen Mansion
84.	Rory Francis	Coed Cadw Woodland Trust
85.	Ian Miller	Denbighshire CC
86.	Derek Walker	TUC
87.	Mike Jones	Vale of Glamorgan CC
88.	Dee Reynolds	Tourism Partnership Mid Wales
89.	Duncan Anstey	Torfaen Council
90.	Huw Lewis and Lynne Neagle	Assembly Members
91. a	Lowri Gwilym	WLGA
92.	Lorraine Miles	NPT Council for Voluntary Service
93.	Susan Spurrier	Big Lottery
94.	Martin Moore	Disability Wales
95.	Marion Morris	Carmarthenshire Regeneration partnership
96.	Marion Morris	Ceredigion Economic Regeneration Partnership
97.	Louise Huxtable	Expert Panel on Resources Management
98.	Rhian Phillips	Carmarthenshire CC
99.	Menna Thomas	Barnardos
100.	Peter Cole	Capital Region Tourism

101.	Rachel Jones	Skills for Business Network forum
102.	Byron Broadstock	Civil engineering contractors
103.	Nick Bodycombe	Cardiff University
104.	Peter Tyndall	Arts Council
105.	Peter Williams	Development Trusts Association
106.	Jo Charles	National Public Health Service
107.	Amanda Wilkinson	Higher Education Wales
108.	Ben Arnold	University of Wales Newport
109.	Anita Shaw	Techniquest
110.	Clare Jones	Newport CC
111.	Rhian Lloyd	Holyhead Forward
112.	Naz Malik	AWEMA
113.	Ieuan Evans	Tourism Advisory Panel
114.	Simon White	One Voice Wales
115.	Noel Lloyd	UW Aberystwyth
116.	Eirlys Jones	North Wales Tourism
117.	Ian Macintosh	Groundwork Wales
118.	Sian Hope	UW Bangor
119.	Jo Coulson	Mumbles Development Trust
120.	David Archer	Snowdonia National Park
121.	Fiona Jones	Fforwm
122.		Ethnic Business support Programme
123.	Carl Close	Police Service in Wales
124.	Peter Mortimer	RCT Valleys Joint Regeneration Officers Group
125.	Peter Mortimer	RCT Council
126.	Peter Mortimer	RCT Economic Regeneration Partnership
127.	Shane Wetton	Rural Community Action (RCA) and Community Regeneration Team - Conwy
128.	Berry Coffman	Greening the Valleys
129.	Richard Essex	RICS
130.	Robert Dangerfield	CORUS
131.	Carys Eyton Jones	British Waterways
132.	Emma Watkin	CBI
133.	Chris Johnes	Communities First Support Network

ANNEX B – LESSONS LEARNED

Summary of Key Lessons Learned from Previous Programmes in Wales, the UK and the EU

October 2006

Private and Confidential

In conjunction with

DTZ

EPRC
EUROPEAN POLICIES RESEARCH CENTRE

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Annexes

Annex A: Bibliography

Annex B: Objective 1, 2/T and 3 Programmes' Priorities and Measures (2000-2006)

1 INTRODUCTION

1.1 Wales has qualified for substantial European Structural Funds support between 2007 and 2013. It is anticipated that this assistance will be delivered through four programmes - the Convergence Programme (for West Wales and the Valleys), the Competitiveness Programme (for East Wales) and two European Social Fund Programmes, one for West Wales and the Valleys and one for East Wales. In addition, the Ireland/Wales 2007-13 cross border programme will continue to deliver the objectives of the INTERREG III programme which was to achieve progressive integration of local economic, social and environmental development across borders between Wales and the Republic of Ireland. The next round of the Ireland/Wales cross border programme will be hosted and evaluated by the Irish authorities.

1.2 WEFO is required by the European Commission to carry out Ex Ante Evaluations for each of the Convergence, Competitiveness and the two corresponding ESF Programmes. These evaluations will serve to ensure that resources are allocated optimally and to maximise the quality of plans for programme implementation. The ex ante evaluation process is iterative, with the evaluators making assessments and recommendations on plans for programming and the Programme authors (WEFO) taking these into account in later drafts of Programme documents. DTZ Consulting and Research, an independent research consultancy company, has been appointed to carry out the Ex Ante Evaluations of the four Programmes.

1.3 As part of the Ex Ante Evaluations, DTZ has reviewed previous evaluations of the current round of European Structural Funds (SF) Programmes at the Welsh, UK and European level in order to identify key conclusions and lessons learned. The paper focuses on information relevant to the design of the 2007-2013 Programmes, rather than on conclusions and recommendations that are very specific to a particular set of programme circumstances. This paper builds on a lessons learned paper supplied by WEFO which specifically identified lessons learned from the Welsh Mid Term Evaluations (MTEs) and the Mid Term Evaluation Updates (MTEUs).

1.4 The lessons learned paper is not a literature review. Rather, it reflects what DTZ judges to be salient findings, relevant to the new programmes in Wales. These key findings are then distilled into lessons learned, conclusions and comments which represent DTZ's overall assessment.

1.5 The papers reviewed are listed in the Bibliography in Annex A. Specifically these include:

- The MTEs and MTEUs of the Structural Fund Programmes in Wales carried out in 2003 and 2005 respectively

Table 1: MTEs and MTEUs reviewed

Wales	**MTE**	**MTEU**
West Wales and the Valleys Objective 1 Programme	X	X
East Wales Objective 2 and Transitional Programme	X	X
East Wales Objective 3 Programme	X	X
West Wrexham URBAN II Progrmame	X	X
INTERREG IIIA Ireland / Wales Community Initiative Programme	X	X
LEADER+ Wales Community Initiative Programme	X	

- A selection of the MTEs and MTEUs of Structural Fund Programmes across the rest of the UK, carried out in 2003 and 2005 respectively (as identified in Table 2) – focusing especially on Objective 1, 2 and 3 Programmes. These were selected to provide a good spread across the country and across Programmes as well as covering a selection of MTEs and MTEUs.

Table 2: UK MTEs and MTEUs reviewed

	MTE	MTEU
England		
South-West (Objective 1)	X	
South Yorkshire (Objective 1)	X	X
London (Objective 2)	X	
Yorkshire & Humber (Objective 2)		X
West Midlands (Objective 2)		X
North East England (Objective 2)	X	
Objective 3	X	
East of England (Objective 2)	X	
Scotland		
Highlands and Islands (Objective 1)	X	
Western Scotland (Objective 2)	X	X
East of Scotland (Objective 2)	X	
Objective 3	X	
Other		
CSF England/Scotland/Wales Objective 3	X	

- Other WEFO, UK and European Commission reports as shown in the attached bibliography.

1.6 Throughout the paper, the evaluators have highlighted relevant specific issues and have drawn out conclusions and lessons learned at the end of each chapter. These are the key findings the evaluators consider to be relevant to the new programming period and as such reflect the evaluators' independent assessment of the key issues which should be taken into account.

1.7 The report has been divided into the following sections:

- Section 2 examines the evidence on how far original programme strategies were still applicable at later stages in the programmes;
- Section 3 reviews programme performance (as at MTE/MTEU stage);
- Section 4 investigates the quantification of objectives (indicators and targets);
- Section 5 reviews the implementation systems including monitoring and evaluation systems;
- Section 6 reviews the contribution to Lisbon priorities; and
- Section 7 draws out the key conclusions and recommendations for the Welsh Structural Funds Programmes for 2007-2013.

2 APPROPRIATENESS OF THE PROGRAMME STRATEGIES

2.1 In general, at the time of the MTEs (2003) it was found that most programme strategies remained relevant and appropriate across Wales (Objective 1 MTE, INTERREG MTE, and URBAN MTE), the rest of the UK (ESF Evaluation Team 2003) and EU Member States (DG REGIO 2004 p 19). This was generally the case not only over time, but also across regional and national policy objectives and socio-economic circumstances. This section reviews the appropriateness of strategies across the above factors but also highlights particular areas where it was found that programmes had to be amended in order to accommodate various changes in conditions. These experiences highlight several lessons, which are discussed in the concluding section.

Appropriateness of programme strategies over time

2.2 As mentioned, most programme strategies were found to remain relevant and appropriate across Wales, the UK and EU. However, of the few strategies that were revised, one was that of the UK's Highlands and Islands (Special Transitional) Programme. The H&I MTE Main Report (2003) recommended that whilst the overall objectives, priorities and measures of the Programme were still broadly relevant, it would be advisable to refocus funding towards "high achieving measures"[1] that reflected underlying changes in the socio-economic characteristics of the Programme area. This was with a view to moving away from the criticism that the Programme described "all of what the Partnership *might do*, to a position where it represents what the Partnership has *resolved to do* and for which there are reasonable prospects for securing match funding" (H&I MTE, p.3). In Merseyside ('Objective 1 Mid Term Evaluation' Regeneris Consulting 2003), the recommendation was made that resources be focused on securing a stronger culture of innovation and technology transfer, with an increased focus on the demand side.

[1] For example, it was agreed to shift the emphasis of the Programme's Priority 3 towards social inclusion and refocus spending in Priority 1 Measure 4 to projects that could demonstrate strategic significance; new development opportunities (e.g. renewables, nuclear decommissioning, knowledge/media); direct employment generation; and generative capacity (H&I MTEU 2005)

2.3 In Scotland, the socio-economic conditions in which the Objective 3 Programme operated had changed; with a general fall in unemployment, together with the New Deal, removing much of one of the Programme's target groups. This led to concerns that the over-detailed specification of Measures (particularly in relation to limits placed by geographic or beneficiary-type targeting) were making it difficult for project promoters to devise and run effective projects under the changed circumstances. Consequently, the Programme targets were considered in need of revision.

Links to national and regional strategies

2.4 In the Wales Objective 1 MTE, the evaluators noted that certain elements of the Programme were well integrated with national strategies (for example innovation and rural development) and that only a few projects appeared to be inconsistent with Welsh Assembly Government strategies which emerged since the Programme was written. However, they noted that in the main, the bottom up, project driven nature of the Programmes meant that the Programme would be more reactive than proactive in pursuing national strategic objectives. Similarly, evaluators found that the Objective 3 Programme fits well with broader policy frameworks but seems rather "unstrategic" (Objective 3 MTE).

2.5 Given the increased emphasis on the Welsh language and Welsh medium education/training since the 2000 – 2006 Programmes were developed, this issue was recommended to have a higher profile in future programmes (Objective 3 MTE).

2.6 In some cases (e.g. South-West England Objective 1, East of Scotland Objective 2), a high level of consistency with emerging regional strategies was noted, as well as linkages with other new strategies. For example, in South-West England the 2003 MTE found that the programme was consistent with national and EU emerging strategies as well as with regional strategies. Following the publication of the Single Programming Document in East of Scotland one of the main new strategies was the 2000 Framework for

Economic Development in Scotland (FEDS), which the programme was found to be 'completely in line' with (EKOS Ltd 2003).

2.7 For the South Yorkshire Objective 1 Programme, although considered to be well aligned with the emerging regional strategies, some review of activities was recommended. In London (Objective 2), evaluators noted that there were opportunities to increase the Programme's contribution to key regional initiatives. They also recommended that the Programme Complement be revised to mention specific domestic initiatives relevant to each Measure, to which the Programme sought to add value.

2.8 Similarly, in the East of England (Objective 2) Programme, there was a recommendation for closer alignment between the Programme and the Regional Economic and Regional Social Strategies with regard to strategic aim, funding arrangements and project selection procedures. In North East England (Objective 2), the introduction of sub-regional organisations delivering a variety of interventions[2] and operating in key policy areas covered by the Programme was thought to have important implications for the allocation of resources and Programme activity. This highlighted the need for Programmes to be flexible and responsive to the environment in which they operate.

2.9 In Yorkshire and Humber (Objective 2), a need was identified to integrate the Programme more closely with targets for business support in the Regional Economic Strategy. This would also help to reduce the large number of output targets for business support to a more manageable number of key outputs. The evaluation also highlighted the role for the Programme to respond to sub-regional needs, as overarching regional strategies may not be able to respond to these needs effectively.

[2] For example the Learning and Skills Council and Small Business Service.

2.10 In Western Scotland (Objective 2), a number of specific recommendations were made in this context. The evaluation noted that the Programme appeared to be most effective where strategies and delivery arrangements were most closely aligned. The ability of the Programme to attract co-finance was seen to diminish if national/regional strategies were changing significantly. The Programme would have to recognise and adapt to the more recently designed strategies, structures and approaches to maximise its impact.

2.11 It was recommended that the Programme take a pro-active stance by re-launching itself to some of the new Partnerships, showing how Programme funds could be used to mutual benefit. It was recognised that there is a need to establish formal and ongoing working relationships with the new agencies created since Programme inception, with one possible method being through reviewing membership of Programme committees to reflect the new developments. It was emphasised that projects designed to meet the national agenda but delivered and managed through Local Partnerships could produce clear regional benefits. It was also recommended that the Programme should also take steps to attract the new sources of co-financing that were emerging.

2.12 For the West Midlands (Objective 2), the MTE noted the emergence of cluster-based policies (aimed at developing specific sectors in specific locations) as being particularly important, and recommended that this should be reflected in a change in the sectoral focus of the Programme. In addition, the report commented that the introduction of alternative sources of funding had affected demand for the Programme among certain partners for particular activities, especially in the context of increasing resources for Community Economic Development (CED). The MTE recommended that the Programme take greater account of the new context, for example by undertaking a strategic assessment of the degree of integration between the England Rural Development Plan and the Programme. In Wales, the weak performance of rural development measures and ICT objectives in the Objective 2 Programme was seen by the evaluators to suggest that the Programme operated “in

competition with other programmes, such as LEADER+ and Information Society initiatives" (Objective 2/T MTEU, p. 118).

2.13 In the East of Scotland (Objective 2), the point was made that without flexibility, spatial targeting becomes obsolete and ineffective – there is a need for the ability to adjust to changing socio-economic circumstances.

Programme design

2.14 Drawing up multi-annual programmes ('programming') to plan and deliver Structural Funds interventions remains a core principle underpinning the whole implementation process. 'A Study on the Efficiency of the Implementation Methods for Structural Funds[3]' (ÖIR/LRDP/IDOM, 2003) concludes that the programming approach to Structural Funds allocation and regional development should be maintained and reinforced and was in fact *"a very valuable means of ensuring legal and financial certainty for planners and policy implementers and for project promoters and managers over a prolonged period of time" (p. 7).*

2.15 While programming continues to be seen as a useful approach, many of the evaluations noted that it was important to focus programmes at the strategic level rather than attempting to detail the programmes to a high degree. In this context, the designation of Measures was seen as limiting the flexibility to adapt the programmes throughout the programming period. For example, the Objective 1 and 2/T MTEs in Wales found that the division of the Programmes into Measures did limit flexibility in terms of project development and programme management. These MTEs also noted that in some cases there was a lack of clarity in the distinction between Measures.

2.16 The Objective 1 MTEU for Wales noted that there was a vast array of policy goals within the current Objective 1 Programme, and the link between Measure and headline objectives was not always clear. Perhaps as a result, projects were not consistently focused on Programme headline objectives.

[3] This was a process focused study to provide input to the EC on the design of implementation processes for Structural Funds.

Comment: Depending on the overall policy framework, spatial targeting as well as targeting particular groups in society or types of businesses can be a useful way of ensuring that the funding can make a major contribution to headline objectives. This needs to be weighed up against potential rigidity being introduced into programme delivery – the designation of a detailed map for Objective 2 and Transitional support across the UK illustrated difficulties with an over-rigid approach.

Conclusions and lessons learned: programme strategies

2.17 In general, programme strategies remained relevant over the programming period, although there were a few cases when strategies had to be revised during the programming period, as picked up by the various MTEs. Across UK Programmes, recommendations for re-alignment or adjustment were usually made to take into account changes in socio-economic conditions or economic development strategies in the regions concerned. It is important that programmes adjust to changes in regional or national strategies as overlaps and duplications with other funding programmes and policy initiatives (EU or national) can lead to reduced demand for Structural Funds interventions.

2.18 Although programming was found to be and continues to be a useful framework to deliver the Structural Funds, the relatively rigid designation of Measures in the last programming period limited flexibility to develop and manage programmes effectively.

2.19 The discussions of this chapter and above conclusions lead to several lessons learned:

- To be most effective, programmes need to be closely aligned to national and regional economic development strategies and to the key aims of organisations delivering these strategies.
- There needs to be sufficient flexibility in the programmes to adapt to changed national and regional contexts and socio-economic conditions as

well as taking into account any overlaps and duplications with other funding programmes which emerge in the course of the programming period. There should be a pro-active approach to reviewing of the programmes to ensure that required changes are anticipated.

- For the 2007 – 2013 programming period, the Commission has decided that the designation of Measures is no longer required. The use of Themes in the programmes is conducive to helping define the kind of projects which will be supported under each Priority but care needs to be taken that Themes will not limit the flexibility of the programmes.

- Having a large range of policy goals and objectives can make it difficult to link specific Priorities and Themes to the attainment of headline objectives. This makes it important to focus the Structural Funds in a limited number of policy areas. While this applies to the new Convergence Programme, it is even more important for the smaller Competitiveness and European Social Fund Programmes.

3 PROGRAMME PERFORMANCE

3.1 This section discusses the findings of UK and Wales' programme evaluations, focusing on programme performance. The chapter firstly provides a brief overview of the progress made by various regions and programmes in the UK.

3.2 It then looks specifically at progress in Wales, organised under broad headings corresponding to emerging Priorities under the new Programmes in Wales. Although there may be some overlap with regards to outcomes achieved, we have as far as possible discussed policies under the key objective to which they are relevant. These specific sections focus on the previous Welsh Programmes although specific findings from the rest of the UK have been added where appropriate. General conclusions and lessons learned are presented in the final section.

Progress against financial and outcome targets - UK

3.3 Analysis of UK SF programme evaluations (including both evaluations and evaluation updates, as detailed in the following paragraphs) reveals a mixed picture in terms of programme targets being met. The programmes that were broadly expected to meet targets included the East of England Objective 2 ('Mid Term Evaluation', Centre for Strategy & Evaluation Services 2003), the West Midlands Objective 2 ('Mid Term Evaluation Update', GHK Consulting and Fraser Associates 2005) and the Highlands and Islands (Transitional) Programmes ('Mid Term Evaluation', Fraser Associates Management *et al* 2003).

3.4 On the other hand however, by the time of the Mid Term Evaluations both South Yorkshire Objective 1(Wells *et al* (2003) and Yorkshire and Humber Objective 2 (Leeds Metropolitan University and University of Hull 2003) were achieving relatively low outputs in relation to targets, although the Programmes were considered to be making strong financial progress. In South Yorkshire, changes in socio-economic conditions meant that many of the original targets (for both gross and net jobs) were too high. Similarly, in

Yorkshire and Humber, 15 of the 31 Key Output Indicators showed nil to poor progress and the appropriateness of the original targets was questioned.

3.5 In South-West of England Objective 1 Mid Term Evaluation (ECOTEC Research and Consulting Limited 2003), despite impressive commitment levels, the pattern of projected and actual outputs against targets was patchy (as at 1st June 2003), with projected results and impacts being well behind what was expected in relation to spending commitments at that stage, raising questions about the achievability of associated targets. At the time of the North East England Objective 2 Mid Term Evaluation (EKOS Consulting 2003), the ESF forecasts and achievements were low across the Programme. This was not entirely explained by difficulties gathering monitoring data from projects. Reasons for variations between forecast and actual outputs/results tended to relate to the characteristics of the supported projects, for example delays in project start and the long-term nature of the projects; although these factors should have been taken into account when forecasts were set.

3.6 Across the UK, the MTEUs showed that there was considerable variation in the progress made to date towards outputs and results targets. However, those responsible for running the Programmes generally believed that the majority of targets would be met by Programme end, and that a number would be exceeded. In many cases, targets, particularly output targets, had already been met or exceeded. At the aggregate level (England), a number of indicators were already performing at a level above the total of the targets in all programmes. Although performance towards output targets was generally strong, many programmes were making slower progress towards result and impact targets. This was generally attributed by the programmes to results and impacts not being expected to be observed until the end of the programming period. (ODPM 2005 p. 3).

3.7 Where targets were unlikely to be met by the end of the Programme, many Programmes had taken remedial action to attempt to resolve this. In the majority of cases there were still funds available that had not been committed, so there was still scope to turn the situation around. (Updated Mid Term

Evaluation of England Objective 1 and 2 Programmes - Collation of Regional Analysis – ODPM *ibid*)

Comment: Any shift in the allocation of funding to meet targets should be preceded by a careful analysis of why the targets were not being met to determine whether aiming to attain the target is still appropriate and whether the non-attainment is caused by underlying issues with the effectiveness of the projects.

Progress against targets, commitment and spend – Wales

3.8 In Wales, both at the time of the MTEs and at the time of the MTEUs progress against targets and in terms of commitment and spend was generally good across programmes. Overall, full achievement of commitment, spend, and indicator targets was anticipated. In several policy areas there was no need for concern regarding the achievement of targets. However, within certain policy areas of the Programmes, prospects for meeting targets were mixed. Below, programme performance is discussed under some of the broad objectives, corresponding to emerging Priorities for the new Programmes.

European Social Fund

3.9 Broadly speaking, the European Social Fund (ESF) focuses on enhancing employability and skills and reducing unemployment and economic inactivity to reduce inequality across Member States. The following section discusses Programme performance under these two core areas of ESF objectives.

Employability and Skills

3.10 Several of the Welsh policy areas can be identified as pursuing the integration of excluded groups into the labour market by enhancing their employability, widening and improving upon the skills base and enhancing human capital, and other such related objectives. This section provides an overview of the progress made in these areas. However, as noted in the Wales Objective 1 MTEU (2005), the evaluators concentrated on researching the impact of the

Programme in terms of the creation (and quality of) new jobs and SMEs, and did not include any primary research on a number of potential areas of enquiry, including management processes. In light of this, the commentary on the evaluations here is necessarily limited to reviewing progress made against targets in the areas concerned.

3.11 In terms of skills, under Objective 1, progress to June 2005 was encouraging against many of the Priority 4 (developing people) targets, with targets forecast to be met or over-performed in the areas of: new learners into learning opportunities; beneficiaries gaining a qualification and beneficiaries completing their courses; childcare provided; and young people receiving help before 6 months of unemployment. These strong positive forecasts are set in the overall context of 84% of funding under all Priority 4 Measures being already committed to projects.

3.12 In Objective 3, under Priority 3 (Lifelong learning) Measures 1 and 2 (Developing new or improved guidance and learning systems; Increasing participation and attainment in lifelong learning), results were encouraging for 'beneficiaries who have completed their courses'; 'number of beneficiaries gaining a qualification'; 'number of beneficiaries in work on leaving' and 'numbers participating in lifelong learning'. Projects under this Priority were forecast to exceed output targets.

> Comment: Overall, Welsh programmes have contributed greatly to stimulate learning, leading to higher numbers of individuals with qualifications and levels of qualifications being obtained.

3.13 However, there were disappointing results for Measure 4 (skills for innovation and technology) relative to funding committed, with low levels reached in relation to targets in terms of number of beneficiaries, numbers of companies and numbers of employees helped. The Objective 1 MTEU found that as of June 2005 there was "virtually no progress at all in terms of number of projects supported (p. 45, Old Bell 3 2005).

> Comment: Specifying the set of skills to be achieved under a particular intervention can lead to low uptake. An approach that does not focus on a narrow set of skills but rather provides interventions that build on employer demand for skills and individual learner's preference and abilities can potentially provide better uptake and outcomes.

3.14 In order to evaluate the effectiveness of the training and/or advice that is provided through Structural Funds, the DWP and WEFO commission surveys of companies to thereafter make the relevant assessments. According to the survey carried out between June and November 2002 (PACEC 2003), the overwhelming majority of beneficiary firms which received support to develop the skills of their workforce said that they were wholly or largely satisfied with the training they received (44% and 39% respectively). Nearly half of beneficiary firms said that training had led or will lead to employees being awarded qualifications. Over 40% of the company beneficiaries said that they had experienced positive effects on their business' commercial performance as a result of the ESF training, including enhanced employee productivity, profitability and increased assets/market value, firm employment and sales and income.

3.15 The survey also found however, that a relatively high proportion of the trainees were in higher level, particularly managerial, positions, suggesting that the training was not always reaching those in lower to mid level skilled occupations. It was therefore suggested that refocusing of training programmes might be needed in order to pitch the provision of training at low and mid skilled workers. It also recommended that a greater emphasis on 'soft skill' training and more basic training would be desirable.

3.16 The Wales Objective 1 MTEU (2005) noted that if future objectives continue to focus on quality job creation and economic inactivity, then resources need to be 'aggressively' focused on interventions which can clearly be seen to lead to achievement of these objectives.

3.17 However, the ESF training was found in many instances to provide limited additionality. Although training under Objective 3 provided the greatest additionality (with 50% of firms reporting that they could not see how else the positive outcomes – particularly those relating to employee productivity could otherwise have been achieved) 22% of firms reported that they would definitely have taken alternative measures[4] if the funding would not have been available while a further 18% probably and 21% possibly would have taken alternative measures. Just under 4 in 10 companies would probably or definitely not have taken alternative measures (PACEC *ibid).*

3.18 However, the evaluators recommended that although the levels of additionality may seem disappointing, it is important to bear in mind that the alternative to ESF training in many cases may have taken place later, meaning that the positive effects would not have been felt until later, potentially harming the immediate competitiveness of these companies. Nevertheless, the evaluators recommend that those who manage the funding for ESF training in Wales carry out further work to examine the extent to which the funding is duplicating provision.

> Comment: Firms in Wales were generally satisfied with the training provided under 'improving skills' projects and firms reported improved commercial performance. However, there was a large degree of deadweight.

3.19 A report to the Department for Work and Pensions (DWP) on the England and Gibraltar Objective 3 Programme recommended, with regards to future programmes, that public support for workforce development should continue after 2006. However, the report also recommended that it should be made clearer when the training and development is aimed at companies' commercial performance and where it is targeted at particular, disadvantaged groups in the labour market. The report also noted that a degree of realism is required in

[4] I.e. would the companies have pursued different means in order to achieve the outcomes pursued by adopted ESF funded training? 88% of respondents replied that although they would have found other means of carrying out the same kind of training had the ESF funds not been available, 26% replied that it would have taken place at a later date (Table 3.24 and 3.23 respectively in the 2002 survey (PACEC 2003).

the assessment of how much training and development can contribute to company growth (Evaluation of the ESF Support for Companies, Fraser Associates report to DWP, 2005).

> Comment: It is difficult to make the direct link between any individual activity (such as training or R&D) and the company's bottom line, which will depend on a range of factors (for example market conditions). In many cases, it will be the willingness of companies to invest scarce resources in a particular area that provides the best indication of the value attached to an activity.

3.20 One of the key new areas of intervention which has emerged strongly over the last programming period is that, in addition to 'hard' outcomes such as skill attainment, 'soft' outcomes such as increased confidence are also of importance to enhance employability. Many ESF projects helped beneficiaries to achieve soft outcomes such as higher levels of confidence and motivation, better skills in communicating and interacting with others, and a greater ability to manage their own lives. The economically inactive group made substantial gains in terms of enhanced employability and improved self-confidence. (Leavers Survey, Wales, 2002 Atkinson, Miller, and Gerova, 2004). It is worth noting that this survey was followed up in 2005 to track the progress of those who had participated in the original 2002 survey in order to gain an insight into the longer-term paths of beneficiaries after completion of their courses. In addition to reporting positive improvements in their employability, many respondents were still likely to say that they had improved their confidence and/or self esteem (Follow-up Survey of European Social Fund Leavers, DWP 2005).

> Comment: While soft outcomes can clearly be linked to hard outcomes (for example, individuals with higher levels of motivation and confidence tend to perform better in the labour market), it is important to determine at the outset of projects whether these soft outcomes are simply designed to be a stepping stone to enter the labour market or whether they are pursued as outcomes in their own right.

3.21 The soft outcomes achieved as a result of participation were valued by project sponsors and beneficiaries alike, though few project sponsors had systems in place to capture and measure the outcomes and they were not captured at Programme level (Objective 1 and 3 MTEUs).

3.22 Across the UK, all groups of ESF beneficiaries[5] reported a high level of soft and work related skills development, and minority ethnic groups reported the highest levels of these benefits from the projects. *('*Evaluation of equality mainstreaming in ESF Objective 3*'* ECOTEC 2004)

3.23 One key objective of the ESF interventions is to improve the gender balance in the workplace. However, very few projects were designed to specifically address issues of gender segregation or to affect the support infrastructure that affords men and women equal access to learning and work. Progress was disappointing against the training in higher level skills target, although in terms of numbers undertaking training in under-represented occupations – a key indicator of tackling horizontal segregation – both achieved and forecast numbers were already well in excess of targets.

3.24 However, the Evaluation of equality mainstreaming in the English ESF Objective 3 concluded:

"Overall, very few beneficiaries were given opportunities in non-traditional occupational areas for their sex. Levels of training for women and men in nontraditional occupations also need to increase." (p. iv)

Comment: In Wales, few projects were aimed at addressing horizontal or vertical gender segregation.

[5] Disadvantaged groups targeted by the programme: women, ethnic minorities and people with disabilities.

Tackling Unemployment and Inactivity

3.25 One of the key areas of intervention for the ESF Programmes is to reduce worklessness by promoting employment for those currently unemployed or economically inactive. The Leavers Survey 2002 (Atkinson *et al* 2004) suggests that, in terms of ESF interventions under Objective 1 and 3, following participation in the projects, there has been an increase in the proportion of respondents in paid employment. However, the Programmes appeared to have been less successful in reducing inactivity within the sample. (Leavers Survey, Wales, 2002 Atkinson *et al ibid*)

3.26 The Objective 3 MTEU (Old Bell 3 2005) found that there was conflicting evidence surrounding the proportion of beneficiaries likely to progress into employment and/or learning following participation: "Project sponsors appeared to be over-optimistic in their view of the proportion of leavers who would progress into employment, whilst beneficiaries probably over-estimated the extent to which they would progress into further learning" (p. 3). Project sponsors estimated that around two fifths of learners would progress into employment but less than a fifth of beneficiaries believed they would progress into employment. The results were somewhere in between with around 25% of leavers entering jobs immediately.

3.27 In Objective 3, the aggregate data suggests that there was weaker than anticipated performance on employment outcomes for inactive and unemployed beneficiaries. In some cases, projects appeared to be primarily concerned with prioritizing soft outcomes and meeting the social and personal needs of the beneficiaries rather than enabling them to progress towards participation in the labour market (Objective 3 MTEU).

> Comment: Some beneficiaries will be at some distance from the labour market. This has implications for the cost of delivery as the marginal cost of achieving a positive outcome for an individual will clearly be higher, for example requiring multiple or longer interventions to enable entry into employment.

3.28 The ESF Wales ESF Leavers Survey 2002 (Atkinson *et al 2004)* notes that it is crucial to determine the different employment circumstances of the beneficiaries from which they join the project. It suggests a distinction should be drawn between those already in work, those who are unemployed and those who are economically inactive. In the current programming period, the Priorities and Measures were used to streamline the focus of ESF interventions. Several Measures under various priorities were selected to represent various policy 'clusters' to highlight and measure the focus and impact on employed, unemployed and inactive beneficiaries, as well as on other targeted groups. Social Inclusion (ESF Programme Priority 4 Measure 2) and Improving Female Labour Market participation (ESF Priority 4 Measure 5) were especially targeted on inactivity. Social Inclusion and Active Labour Market Policies (ESF Priority 4 Measure 2 and ESF Priority 4 Measure 1 respectively) are also targeting a higher than average percentage of long term unemployed while Adaptability and Entrepreneurship (ESF Priority 1 Measure 4) has the clearest focus on those already in employment (almost 2/3)[6]. (Leavers Survey 2002)[7]

3.29 Within the sample assessed by the Leavers Survey, a substantial majority of Priority 1 (developing active labour market policies to prevent and combat unemployment) project beneficiaries were unemployed or economically inactive. Projects were primarily concerned with preparing people for sustained employment as opposed to helping them achieve qualifications. Measure 1 (preventing long-term unemployment) projects in particular seemed to be successful in attracting the long-term unemployed. However, rather perversely (given Measure 2's focus upon re-integration of the long term unemployed), Measure 2 projects appeared to have attracted more short term unemployed beneficiaries than might have been expected.

[6] See Table 2.1 in the 2002 Leavers Survey for further information.
[7] Note that Priorities and Measures are detailed in Annex B.

Comment: If interventions are specifically designed for particular target groups (e.g. the long term unemployed and/or those in economic inactivity), this should form part of eligibility criteria. However, if the interventions are intended to also support broader groups (e.g. short term unemployed), the definition of Measures (or Themes) and targets should encompass these groups.

3.30 Gender equality, and more generally equal opportunities, are one of the Structural Funds' "horizontal" Cross Cutting Themes (CCTs) that are considered in Section 7 of this report. However, there are also outcomes and targets are being pursued "vertically", under Objective 1 Priority 4 Measure 5 (improving the participation of women in the labour market). According to the Mid Term Evaluation Update (Old Bell 3 2005 p138) the aggregate data for this Measure presented a mixed picture, with strong performance against many targets (for example, 'No of beneficiaries gaining a qualification', 88.9% of target achieved by June 2005), but poorer performance against targets for a number of innovative projects (48.8% of target achieved as at June 2005), numbers undertaking training in higher level skills and unemployed beneficiaries in work on leaving (6.8% of target by June 2005). Generally, projects had a strong emphasis on economic inactivity amongst women. In Objective 3, the aggregate data as at June 2005 would suggest that key output indicators in respect of Priority 5 (promoting gender inequality within the labour market) will be exceeded by the end of the Programme ('Mid Term Evaluation Update of the East Wales Objective 3 Programme' Old Bell 3 2005).

Comment: It is unsurprising that unemployment tended to feature less than economic inactivity among women, given that the key determinant of the lower employment rate of women is related to inactivity while the female working population tends to have lower unemployment rates than the male population.

European Regional Development Fund

3.31 The following section assesses a broad range of objectives which are pursued under European Regional Development Fund (ERDF) interventions and assesses the performance of the Welsh current Programmes with reference to their impact upon three key objectives of the ERDF, namely Assistance to Business and Innovation, Economic Infrastructure and Community Development.

Assistance to Business and Innovation

3.32 The Wales Objective 2/T MTEU (EKOS Consulting 2005) found that targets for initial advice to businesses/entrepreneurs were considerably exceeded, which led to concerns by the evaluators that not enough entrepreneurs were receiving further more intensive forms of assistance. In the view of the evaluators this carried the risk that many potential entrepreneurs were not continuing with their ideas or moving on to receive more intensive forms of assistance (p 36).

3.33 In terms of job creation as a result of assistance to businesses, in Objective 1 the evaluators' estimate of progress by Programme end against Programme targets suggested that the target would not been reached. A number of reasons for this can be identified. Firstly, the Objective 1 MTE found that although a small number of businesses interviewed had created jobs as a result of the support, the targets for job creation were too high. Although the targets were "appropriate" it was felt that due to historical trends in the labour market and difficulties in the manufacturing sector, the targets were perhaps "over-ambitious" (p 35). Although the total number of jobs reported was broadly in line with projects' forecasts, this was possibly due to double-counting between projects. On the positive side, however, half of those filling the jobs were previously inactive or unemployed and the jobs were reported by the employers to be sustainable.

> Comment: While the evidence suggests that the targets were too ambitious, the jobs being created seemed to have helped a considerable number of individuals to enter the labour market.

3.34 In terms of the quality of jobs, in both Objective 1 and 2 the jobs created were usually low-skilled and poorly paid. However, this was broadly in line with the occupational mix in Wales. There are implications here for future programme design and emphasis in targets.

> Comment: It would be useful if programmes could be explicit about whether the jobs created are intended as a first entry point into the labour market for those currently excluded or whether jobs created are expected in the higher skill/higher wage bracket.

3.35 Aside from target level and design, other reasons can be identified for shortfalls in the targets. In Objective 1 and 3 problems with transport and childcare, along with a lack of self-confidence, were the most frequently cited barriers both to participation in ESF projects and to accessing jobs at the end of beneficiaries' training by both project sponsors and beneficiaries.

> Comment: It will be important to identify how far projects can be designed to overcome the key barriers identified to accessing employment, including barriers associated with individuals (e.g. skills), social infrastructure (e.g. childcare) or local labour markets (requiring transport to access employment).

3.36 Overall, the impact of the Programme in terms of new business creation has been low. There have also been disappointing results for the number of gross new high technology companies created, with only 7% of the target achieved by the time of the Mid Term Evaluation Update (Objective 1 Programme, Old Bell 3 2005 p 45).

Comment: Before committing funding to business creation in the new programmes, it will be important to consider what may have hindered achievements in the previous programmes. It will be important to identify the key barriers (e.g. in terms of motivational drivers, funding/finances, available skills etc.) to design Programmes and projects accordingly.

3.37 However, there was strong performance against targets under Objective 1 such as number of companies receiving financial support for R&D/innovation projects and the number of companies given advice/information by R&D/innovation projects. There were also good results for numbers of firms benefiting from e-commerce and ICT support – at the MTEU (Old Bell 2005) achievement was already above target and was forecast to go up to 27% above target (p 45)(Objective 1). However, under Objective 2, the two ICT activity targets were low in terms of forecast against Programme targets, although actual achievement against forecast is good ('Mid Term Evaluation Update of the Wales Objective 2/T Programme' EKOS Ltd 2005). Outcomes for Priority 1 Measure 1 (support for enterprise) indicators have been encouraging with performance against most outputs and results indicators forecast to exceed targets (e.g. achievement of new direct jobs, jobs safeguarded and increase in turnover, innovation and SME development). The major exception is the number of new SMEs receiving assistance (Objective 2 MTEU EKOS Ltd *ibid* p 36.

Infrastructure

3.38 Most of the targets of Objective 1 Priority 6 (strategic infrastructure development) were forecast to be achieved by the end of the Programme. In fact, most of the targets were forecast to be exceeded considerably – for example the target 'No. of km of transport route built/improved' was forecast to achieve 787% of its target (Objective 1 MTEU Old Bell 3 2005 p53-54).

Community Development

3.39 One method used to encourage business development in less advantaged areas has been the provision of business sites and premises. According to the MTEU for Objective 1 (Old Bell 3 2005) occupancy rates in completed sites and premises were generally high and businesses which moved into these premises identified increases in employment and turnover since moving into the new premises. However, a number of targets for key indicators (e.g. jobs accommodated) are unlikely to be reached by the end of the Programme (Old Bell 3 *ibid* p 150)..

3.40 However, businesses occupying these premises were generally happy with the accommodation. The quality of the development was overwhelmingly seen – by both project sponsors and SMEs occupying the premises provided through the project – as one of the principal reasons for the SMEs to locate within the Objective 1 area (Objective 1 MTEU Old Bell 3 2005 p 150). The investment in sites and premises under Objective 2 Priority 1 Measure 3 has had the desired effects in terms of business growth and market outlook ('MTEU of the Objective 2/T Programme' EKOS Ltd 2005 p VI). Importantly, at the project level, there was much evidence of additionality reported through the ERDF funding, with the companies surveyed taking advantage of new high quality space in order to expand.

Comment: The development of new business premises has influenced companies' location decisions and has had an effect on business growth.

Comment: The development of new business premises needs to be based on underlying market demand to avoid the creation of premises which will be under-utilised. It is also important to consider the extent to which business activity has been displaced from non-supported areas.

3.41 Good progress has been made in supporting community services/facilities (70% of target achieved as at June 2005) and assisting or creating social economy businesses (120% of target forecast to be achieved as at June 2005) (EKOS Ltd 2005)). The same report found however that while renewable energy developments have progressed well against targets in the Core Programme Area, achievements in the Transitional Area have been disappointing to date. In general the 2/T programme was found to be successful in incorporating environmental sustainability values into projects of various natures, the programme was less successful at actually steering investment into the creation of specific environmental schemes.

> Comment: The development of local economies is likely to have benefited from support for premises as well as support for social businesses but it is difficult to make the link directly as it is difficult to establish the counterfactual (what would have happened without the interventions) and to attribute local economic activity directly to these interventions.

Conclusions and lessons learned: programme performance

3.42 Performance against targets set at the programme design stage at the UK level was patchy, with no clear trend emerging overall. In general, those responsible for running the programmes were optimistic that the majority of output targets would be met by the end of the programmes, although this was not the case for result or impact targets where it was felt that it would take longer than the programming period for the targets to be achieved.

3.43 In general, most of the programmes in Wales had progressed well against targets, commitments and spend at the MTEU stage. However, several areas in which targets were not being met have been flagged up and provide important lessons for future target and policy formation. Reasons given range from targets themselves being too ambitious, to problems and barriers in the wider economy, to there being a need for objectives to be clearer on what exactly their main aims and focuses are. It is of key importance to bear these reasons in mind at the target setting stage of future programme design as they

provide vital insight into the appropriate and realistic level of future targets, and the need for clear definitions of objectives and the corresponding indicators. Further, these reasons given also serve as a reminder that adverse conditions or changes in the wider economic environment can hinder (as well as help) progress towards meeting targets.

3.44 Some overarching lessons relating to general programme design can be identified:

- When setting results and impact targets, care should be taken to ensure that these can be realised within the programming period timeframe. Whilst it is desirable to measure the results and impacts of the programmes, the monitoring system and the choice of indicators (and associated targets) are in many cases not the most appropriate way to measure longer-term effects.

- It is useful to retain a degree of flexibility in the allocation of funds to ensure that funding can be targeted at those areas where additional activity is required to meet targets.

- In the areas of development of employability and skills and reducing unemployment and inactivity – i.e. the objectives that fall under the ESF umbrella - the following lessons have been identified:

- With regard to design and measure of targets and indicators, it is key that the labour market status of beneficiaries is recorded at the outset of the project so that differentiation between outcomes achieved for individuals with varying employment/unemployment status can be identified.

- Projects aimed at tackling unemployment and inactivity seem to be more successful in helping people to move into paid employment from unemployment than from economic inactivity, probably indicating different distances of individuals from the labour market.

- Project sponsors appear to over-estimate success rates associated with their intervention in terms of moving people into employment.

- There is still considerable uncertainty about how to measure soft outcomes, such as increased self-confidence, and about how these soft outcomes affect labour market outcomes. For the new programming period, it will be important to provide easily accessible guidance to relevant projects from an early stage.

- In terms of workforce development, there needs to be clarity as to whether the key aim is to provide businesses with the skills needed or to help disadvantaged groups in the labour market.

- With regards to the objectives relating to business development, infrastructure and sustainable development – i.e. those objectives that fall under the ERDF umbrella – a number of key lessons emerged:

- Programme targets for a number of new SMEs being assisted are not being met. This indicates that the whole area of support for business start-ups or recent start-ups needs to be considered carefully to determine how Structural Funds can effectively contribute in this area.

- When setting targets associated with the development of new business premises, the long timespan in terms of realised impact should be taken into account. Benchmarks could be derived from the experience in the last round of programming.

4 INDICATORS AND QUANTIFICATION OF TARGETS

4.1 Improvements have been made in the present period in identifying indicators and setting targets. However, some problems persist:

"In particular, indicators often lack a clear definition and proliferate in some cases, especially where programmes have too broad a focus. " (European Commission 2006a, p. 166)

4.2 Analysis of the English Objective 1 and 2 Programmes (Updated Mid Term Evaluation of England Objective 1 and 2 Programmes – Collation of Regional Analysis) revealed a number of weaknesses in indicators, target setting and data collection systems. The following sections discuss indicators and targets in turn.

Indicators

Indicator definitions

4.3 To encourage widespread use of indicators, one of the key issues noted across Programmes is the need to provide good definitions. EU-wide, DG REGIO reported that MTE evaluators found :

"In many cases, inadequate definition of indicators was identified as a problem and recommendations were made to address this issue. " (The Mid Term Evaluation in Objective 1 and 2 Regions - Growing Evaluation Capacity, p. 42)

4.4 Stakeholders in the Highlands and Islands (Transitional) programme noted that definitions should be provided for all indicators whilst evaluators in the H&I MTE (2003) recommended that "supplementary guidance on the relationship between indicators and some worked examples would be useful" (p 8). In the East of Scotland ('East of Scotland Objective 2 Programme Mid Term Evaluation' EKOS Ltd 2003, p 81), projects often misinterpreted definitions of performance indicators.

4.5 Programme Managers in Scotland's Objective 3 Programme did not understand indicators clearly and misreported against them as a result. Similarly, the Wales Objective 1 and 3 MTEs and MTEUs found that not all indicators could be meaningfully defined and it was difficult to measure progress against some indicators, for example those related to turnover. However, over time, good progress has been made in providing definitions for key indicators (Wales Objective 1 MTEU).

4.6 At the MTE stage in Wales, clear and practicable definitions of indicators, advice on how to monitor them, and requirements for evidencing performance, were found to be needed (Wales Objective 1 MTE and MTEU, INTERREG IIIA MTEU and Objective 3 MTE).

Results and impacts

4.7 In some areas, the full range of indicators within the indicator frameworks were used. For example, Objective 2 projects in Wales used the full spectrum of available indicators to measure their achievements (Wales Objective 2/T MTE). In general, indicators measuring activity/outputs were used widely but across the UK, there were specific difficulties with measuring results and especially impacts. It was also not always clear how the activity, result and impact indicators were linked (for example, Wales LEADER+ MTE). Measuring impacts is often complicated as they occur after the programme period – for example, stakeholders in the Highlands and Islands (Transitional) programme expressed concerns about the timespan for results and impacts to be realised.

Comment: Impact assessment issues should be considered from the design stage of the new programmes. It should be explicit in programme documentation whether impact targets relate to all programme spending or just to the SF component.

Indicator frameworks

4.8 Evaluations across Wales and in the rest of the UK noted that a smaller number of indicators would be helpful. This was recognised in the Commission's draft working paper on targets and indicators which acknowledges that the large number of indicators in many programmes made it difficult to track progress and that a smaller number of key indicators will be helpful.

4.9 A number of UK MTEs found that the indicator framework needed to be revised. For example, the West Midlands Objective 2 identified a need for substantial revision to selected indicators so that the indicators more accurately reflected the scope of the Measures. In the East of Scotland Objective 2 Programme MTE (EKOS Ltd 2003), streamlining of Scotland-wide performance indicators to exclusively utilise Scottish Core Indicators[8] (p. 29), as opposed to a mix of various indicators, necessitated a redrafting of the Programme Complement in 2002. Progress against a considerable number of performance indicators appeared poorer than was the case as specific indicators[9] were substantially under-reported against or not selected by projects. On the other hand, many results and outputs seemed overly optimistic with regard to reported achievement levels. Stakeholders in the Highlands and Islands (Transitional) Programme expressed concerns about the system for measuring performance, including ways in which indicators have been applied and limitations of the framework for taking full account of soft outcomes.

[8] The Scottish Core Indicators were a set of agreed common indicators for all the Scottish Structural Fund programmes, designed to ensure consistent reporting on a Scottish level.

[9] For example the H&I MTE 2003 found that one area of shortfall in one of the measures was the 'number of beneficiaries completing their course'. It was advised that this is due to under-reporting and is being further investigated (p. 34).

Data collection on beneficiaries

4.10 The Objective 1 MTE found that sampled projects generally had robust systems in place to prevent double counting. However, double counting of outputs between projects (as opposed to within projects) was identified as an issue. Establishing a central database of beneficiaries and final recipient SMEs would help with the provision of more accurate data (Wales Objective 1 MTEU).

Quantification/Targets

4.11 Across the EU, the Commission noted at the MTE stage that:

"The quantification of objectives is an area where most evaluations found room for considerable improvement, although there were some very good examples of quantification of objectives feeding into an effective monitoring system." (The Mid Term Evaluation in Objective 1 and 2 Regions - Growing Evaluation Capacity, p. 42)

4.12 An EKOS report to the European Commission analysing the Single Programming Documents submitted to the Commission by the UK regions identified a range of benchmarks for use in estimating activity, result and impact targets. This was used as a starting point by a number of UK regions and consequently quantification of objectives in the UK Programmes was considered to be generally of a good quality.

Comment: To ensure consistent use of benchmarks across the new UK programmes, centrally co-ordinated research into establishing benchmarks across the UK would be useful.

4.13 A considerable number of programmes have revised their targets since the beginning of the programming period. For example, the West Midlands Objective 2 Programme) required a complete re-quantification of Programme targets in their entirety, to be carried out in consultation with partners (Mid Term Evaluation p xiv, GHK and Fraser Associates 2003).

4.14 Some of this is likely to be due to the difficulties associated with setting such targets before programme delivery commences but is also indicates that initial target setting may not have been as accurate as it could have been:

"Given that the majority of programmes have revised their targets since the beginning of the programme, this suggests that initial target setting was not as robust as it could have been. A number of programmes highlighted instances of inaccuracies in the definitions of targets, the assumptions underlying them, or the baseline figures used to calculate the targets." (Updated Mid Term Evaluation of England Objective 1 and 2 Programmes - Collation of Regional Analysis, p. 19))

4.15 The fact that a number of targets had already been vastly exceeded, while in other areas overall performance was forecast to fall seriously below target levels, also suggested flaws in the target setting process or the validity of the monitoring data.

4.16 More clearly defined and quantified baselines would have assisted target setting for the Objective 2 Programme in Wales, particularly in relation to impact indicators (Wales Objective 2 MTEU). Some large projects set targets pro rata based on Measure targets, according to the proportion of Measure funding they are seeking (Wales Objective 1 MTE).

4.17 In Yorkshire and Humber ('Objective 2 Mid Term Evaluation' Leeds Metropolitan University and University of Hull 2003), further guidance on the logic underpinning targets and quantification was being sought by sponsors to allow for a clearer and more critical approach to project design (p 95). Targets were revised as part of a comprehensive review of the quantification of Objective 2 recommended by the MTE:

"Quantification needs to be rigorously examined and revised in Objective 2 for the second half of the Programme - perhaps drawing on the experience gained by Objective 1 in its review of quantification. In this review a key objective must be simplification – in individual indicators and in the totality and range of indicators" (Yorkshire and Humber Objective 2 MTE 2003, p. 161)

4.18 Even where the process of setting targets was assessed to be sound, revisions were required over time. For example, the North East England Objective 2 Programme (Mid Term Evaluation, Centre for Strategy and Evaluation Services 2003) target setting was assessed as being a very thorough process, with reasonable assumptions underpinning the exercise[10]. However, a need for re-quantification was identified to ensure accurate benchmarks were being used. A need was also identified to examine actual costs, such as recent increases in construction costs for example; and including costs incurred by delivery partners.

4.19 Even a comprehensive quantification exercise can not cover all possible inputs and outputs. A recommendation from Good Practice research notes that projects should be encouraged to identify and monitor against input and output targets over and above those set in the Programme document, if the latter give only a poor approximation to the true benefits of the project. ('Good Practice in Structural Fund Project Management' WEFO 2005a*)*

Conclusions and lessons learned: indicators and targets

4.20 This section has discussed indicators and quantification of targets with a view to drawing out the conclusions and lessons learned that could contribute to improving design and quantification of targets in the future. This was identified as being an area where although good progress was made in the last programming period, scope remains for improving upon current practice.

4.21 The importance of target specification should not be underestimated. Although there are clearly inherent difficulties in setting targets at the outset of the programmes, misspecification of targets or flaws in the collection of data can lead to difficulties in attaining targets. A review mechanism could potentially mitigate this.

[10] The exception was the treatment of tourism, where deadweight assumptions were judged by the MTE evaluators to be implausible.

4.22 The following are the main lessons learned from the experiences discussed above:

- Indicators need to be defined at the outset and it is critical to ensure that all indicators are meaningful by (for example) using indicators already in use in the delivery of similar programmes as well as drawing on the EU guidance available[11]. In this respect, guidance needs to be supplied at the outset to encourage the correct usage of indicators, with a specific focus on hard-to-measure results and impact indicators.

- A smaller number of indicators would help to encourage consistency in monitoring and improve data quality. It was found that in the East of Scotland considerable streamlining of indicators took place in this respect.

- To avoid double-counting between projects, a database should be established in Wales which identifies final beneficiaries (SMEs/Individuals).

- Projects should be encouraged to monitor targets over and above the minimum requirements.

[11] For the next programming period 2007-13, guidance on indicators for monitoring and evaluation of programmes can be found in the draft working paper (European Commission 2006b) http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/indic_sf2007-2013_en.pdf

5 IMPLEMENTATION SYSTEMS

5.1 Across the EU, considerable improvements in implementation systems were found, particularly in terms of project selection procedures, financial control, monitoring, and evaluation. In the UK, project development, appraisal and selection systems were found to be substantially improved. Notwithstanding these improvements, numerous recommendations were made at EU-level suggesting improvements to implementation systems. Below the paper focuses mostly on implementation in Wales with some wider conclusions being drawn from programmes elsewhere.

Partnerships

5.2 Partnership in delivery is one of the core principles of Structural Funds. The Commission notes that partnership in the design and implementation of programmes has become stronger and more inclusive, involving a range of private sector entities, including the social partners, as well as regional and Local Authorities. According to the Third Report on Economic and Social Cohesion (pg xxi) “This has led to better targeted and more innovative projects and improved monitoring and evaluation of performance and the wider dissemination of information of their results, at the price, in some cases, of additional complexity of programme management” (European Commission 2004).

5.3 Partnerships were identified by many of those working within the Programmes in Wales as a key element of ‘added value’ (Wales Objective 3 MTE). The Objective 1 Partnerships generally appeared to function well (Wales Objective 1 MTE). Expertise and capacity has been successfully built within Partnerships and should be made use of in future programmes (Wales Objective 2/T MTE).

5.4 There is evidence that the Structural Funds have stimulated strategic partnership working and, over time, have enhanced capacity for developing strategic responses to regional development problems. Programmes were considered to show a strong partnership basis for programming and implementation, bringing together sectors and agencies that had not previously worked together (see for example East of Scotland Objective 2).

5.5 While partnership working has been one of the successful elements of the Structural Funds implementation system, there are some practical concerns that need to be addressed, including the need for a "clearer definition of the partnership relationship between the Commission, Member States and Regions in a manner that identifies the specific contribution that each can make to increasing the efficiency of the implementation system and achieving the goals of simplification" ('A Study on the Efficiency of the Implementation Methods for Structural Funds' ÖIR in association with LRDP and IDOM 2003 p 16). In Wales, there was some confusion among partnership members as to their role and responsibilities (Objective 1 MTE). Ongoing training should be provided on this and other issues, such as project selection (Wales Objective 1 and 3 MTEs).

5.6 Close links which have developed on an ad hoc basis exist between some Partnerships. It was found that the organisational structure did not ensure that Partnerships worked together and shared good practice with one another (Wales Objective 2/T MTE). It was further noted that the 'media magnifying glass' focused on Objective 1 in Wales did not encourage the sharing of bad as well as good practice, which, it was concluded in the Mid Term Evaluation (CRG Research Ltd 2003 p 108) was what was needed. Further, the Wales Objective 2/T MTEU noted that networking and joint working should be encouraged in order to maximise the benefits of sharing best practice and help promote collaborative projects.

5.7 In Wales it is worth noting the key operational differences that affect the local and regional partnerships. Whilst the Local Partnership Secretariats are financed by Technical Assistance matched by the relevant Local Authority; the Regional Partnership Board is financed by the Welsh Assembly Government via the Welsh Development Agency. The consultation carried out for the Objective 2/T MTEU (2005) in Wales found that the Regional Secretariat perceived that their resources were greater than those for the Local Partnerships - particularly for aftercare activity, and that staff duties had evolved through training to meet monitoring duties. On the other hand several of the local partnerships were uncertain regarding their role in monitoring projects, leading to the finding in the MTEU that improved clarity of roles, accountability and responsibilities regarding monitoring and aftercare is required.

5.8 As regards representation and balance of organization within each Partnership, it was found in the Wales Objective 2/T MTE that membership was relatively stable, given the inevitability of high turnover of individuals within representative organizations over the length of the Programming period. However, in local partnerships, with the exception of one, attendance at Board meetings tended to decline as the Programming period continued. At Regional Partnership level a system of alternates (the sharing of a seat around representatives) was found to keep attendance satisfactorily high.

Involvement of private sector partners

5.9 Private sector led projects are the exception and not the norm. There is the perception that accessing funds is complicated and time-consuming. To encourage private sector applications, the work of the Private Sector Unit is to be encouraged and support should be given to simplifying procedures, capacity building within the private sector, and building networks and sector groups. Regional facilitators could also be employed, and the use of key funds should be considered. (Wales Objective 1 and 2/T MTE)

Comment: Continuing effort is needed to involve the private sector in the Partnerships and in sponsoring projects.

Administrative requirements

5.10 A key complaint across Structural Funds programmes is the administrative burden, on projects, Partnerships and Managing Authorities. The Commission recognises that the control procedures required are often regarded by those involved in the implementation as unwarranted, given the costs involved, and as duplicating national systems. There are also concerns that the administrative procedures could discourage participation in Partnerships by voluntary/community sector or social partners and discourage these partners from bringing forward projects.

5.11 The Commission has recognised that there are concerns regarding the administrative requirements of the Programmes. In addition to concerns about duplication with national programmes, the Commission notes:

"A particular criticism is that the new requirements were decided at a late stage, forcing regions to modify systems which had already been defined. This led to delays in programme implementation, with knock-on effects because of the `N + 2´ rule, creating pressure to spend at the expense of quality and innovation. According to some Member States and regions, the cost of implementing all the financial control procedures required by the Commission is too high compared to the benefits achieved. The issue of cost is particularly acute for Objective 2 interventions. For these, there is evidence that implementation costs are a high proportion of total expenditure." ('Third Report on Economic and Social Cohesion', European Commission 2004 p. 166). Although the report did not refer to a minimum project size as a means of reducing implementation and administration burdens and costs, it did highlight the success and further potential of partnership working for reducing administrative overlap. The report further recommended a need for a balance between rigorous management and the consequent administrative burdens this created.

Comment: While administrative burdens can be minimised to a certain degree, it is likely that a substantial burden will remain, especially for some of the smaller partners and projects. It might be useful to establish that projects should be of a minimum size.

5.12 Data on cost efficiency and cost effectiveness at the project and Programme level is difficult to come by. In general, the evidence points to substantial differences in the costs of implementation. There is a need for more data on this to be collected as part of the programming and monitoring process ('A Study on the Efficiency of the Implementation Methods for Structural Funds').

Appraisal process

5.13 The WEFO Customer Attitude Surveys (2004 and 2005) noted that the application forms were in need of improvement. Opinion appeared divided among customers on whether enough information about the progress of their application was provided. Equal proportions (48% in each case) of respondents replied 'yes' or 'no' to the question of whether they were kept sufficiently informed during the application process. Around half (46%) of respondents were of the opinion that feedback given to respondents by WEFO once the application is submitted was either helpful or very helpful.

5.14 Across the UK, where specific recommendations were made regarding simplifying or streamlining systems (for example North West England Objective 2 and East of England Objective 2), these tended to included what were considered to be over-complex application processes and the need for project selection systems to go beyond simply ensuring eligibility. For London Objective 2 ('Mid Term Evaluation of the Objective 2 Programme 2000-2006', ECOTEC Research and Consulting Ltd 2003), a need for more qualitative assessment during the project appraisal process was noted, bringing views of likely and desirable impacts to bear in order to enhance the more mechanistic scoring.

5.15 For Western Scotland (Objective 2), it was noted that the appraisal process was better at assessing and ensuring the funding of eligible projects than at adding value, or driving improvements in project quality. There was no evidence that the appraisal process had value as a predictor of actual project effectiveness. A radical change in approach was recommended, changing the emphasis from appraisal to monitoring, evaluation and feedback. It was recommended that the selection process accurately reflected the true scope and flexibility of the Programme, and that the flexibility available within the Programme to fund most of the activities partners would wish to undertake should be publicised (this recommendation was echoed in the East of Scotland Objective 2 MTE). Every attempt should be made to streamline the project application, appraisal and payment processes, through improved business processes, simplified scoring systems and fast-tracking projects that meet a defined standard.

5.16 Similarly, the Highlands and Islands (Special Transitional Programme) noted that the project selection process was rather over-elaborate in that the process involved consideration of a great many criteria; it was concluded that this had a tendency to dilute or cloud the focus on the fundamental value of projects. The MTE made the point that most of the impact of the Programme would come from a small number of key projects, as well as projects which extend existing activities to support economic, social and environmental sustainability across the region in innovative ways. In Scotland's Objective 3 Programme, again, a strong case was noted for simplifying appraisal and approval processes. In addition there was a recommendation to better relate project selection with likely project performance to allay concerns that the selection process did not adequately distinguish between high and low value projects and that well written proposals could successfully pass the selection criteria, regardless of their end value (Scotland Objective 3 MTE 2003)[12]. A case was also found for fast-tracking continuation projects, and for differentiating between large and small projects in the selection process so that procedures reflect and justify the size of the project. In common with other programmes, it

[12] The evaluators of the Scotland Objective 3 MTE (2003) found a low correlation between 100 projects analysed by performance and the score given by the Advisory Group (p. 68).

was suggested that there would be a benefit from moving the majority of effort from application and selection to monitoring and implementation.

5.17 In North East England ('Mid Term Evaluation of the Objective 2 2000-2006 Programme', EKOS Consulting 2003), it was recommended to reduce the need for two or more appraisals for individual projects, as well as reducing the number of individual ERDF project applications – aggregating support to a smaller group of intermediaries, (however it was not suggested in the recommendation how this might be done). As regards management structure the recommendation was made that senior managers be appointed by the Government Office and European Secretariat to liaise with new sub-regional delivery vehicles. The 'alternative bidding' programming and application process generally provided scope for local/regional actors to develop projects to address specific local needs. However, the need for match funding, complex procedures, and time limited funding were felt to have deterred some groups from getting involved in ESF ('Evaluation of the Added Value and Costs of the European Structural Funds in the UK').

Comment: There appears to be a case to closely work with the projects in the appraisal process from the outset to help them to develop the projects rather than simply assessing projects. A smaller number of projects would facilitate this process.

Financial implementation

5.18 In case study research with Objective 1 projects in Wales, financial control measures are recognised as being an essential part of the accountability requirements of the implementation system. However, the introduction of the new regulations in the current programming period were seen by many of those involved in the implementation to have brought with them increased workload for already overburdened administrative personnel. While there is full endorsement of the need for accountability and control, the broadly held opinion is that there is room for introducing more flexibility and simplicity into the system ('A Study on the Efficiency of the Implementation Methods for

Structural Funds' ÖIR in association with LRDP and IDOM 2003). Any opportunities arising to introduce systems which simplify financial accounting requirements (e.g. greater flexibility on eligibility of expenditure, agreeing a system for claiming expenditure recorded on standard accountancy practices rather than that actually paid) should be exploited *(Good Practice in Structural Fund Project Management).*

5.19 Monitoring and control of underspending Objective 1 projects appeared to have improved from the time of the Mid Term Evaluation in 2003, to the time of the Update in 2005 ('Wales Objective 1 MTEU' Old Bell 3 2005 p 186).

> Comment: Close, ongoing monitoring of financial performance of projects is essential to track progress and to take action if necessary. However, this needs to be balanced with the burden imposed by any extra monitoring requirements.

5.20 There was frequent slippage in the return of claims information (Wales Objective 1 and 3 MTEs). In part, this might have been due to the claim report being seen by some projects as complicated and not user-friendly (Wales LEADER+ MTE).

5.21 Final recipient SMEs and beneficiaries of projects were not always aware that the intervention received was partially financed through Structural Funds programmes (Wales Objective 1 MTEU).

Ongoing project-level implementation

5.22 The authors of a good practice guide on Structural Fund project management concluded that "There is a strong case, in the next programming period, for working with established and successful project sponsors to build on their experience and organisational expertise to develop further projects" (p. 7). The guide's authors also state that guidance from WEFO to projects should stress the importance of a) senior management of sponsor organisations always being engaged in project development, b) the project rationale being clearly in line with the sponsor's organisation mission, and c) insofar as is possible,

there being continuity between those developing and those implementing projects. *(Good Practice in Structural Fund Project Management)*

5.23 Further, the authors suggest that WEFO needs to consider whether it can work with academic/commercial providers to develop a standard short, practical training package on Structural Fund project management and promote this very actively: this will also necessitate a greater willingness to provide clear guidance on "grey areas", for example, of eligible expenditure. *(Good Practice in Structural Fund Project Management)*

5.24 In the East of Scotland ('Objective 2 Mid Term Evaluation' EKOS Ltd 2003 p 5), evaluators recommended that the Programme Management Executive give feedback to Advisory Groups and other partners through case studies reporting best practice, and also reporting on projects that have failed to perform well, to highlight lessons learned.

Additionality

5.25 The principle of additionality[13] has been largely respected in Objective 1 regions, in the sense that the Structural Funds have supplemented rather than replaced existing public expenditure. However, verifying that this has also been the case as regards the Objective 2 and 3 Programmes, especially the latter, has proved more difficult ('Third Report on Economic and Social Cohesion').

5.26 Most evaluations have found that Structural Fund Programmes have delivered added value in a range of areas which are harder to measure, for example, in delivering innovative interventions, working in partnership, setting long term development priorities and by embedding good practice in areas such as monitoring and evaluation and mainstreaming of cross cutting themes such as equal opportunities. This highlights that it is essential not to interpret "additionality" as just meaning wholly new and different activity but rather as

[13] Additionality in this sense is measuring whether the Programmes have delivered additional outputs/outcomes which would otherwise not have been delivered. It can also refer to achieving outcomes quicker or at a higher quality. In this sense, it does not refer to added value as explained in the subsequent text.

activity which produces additional or enhanced quality of outputs and delivery: projects should be encouraged which extend existing services in a way which cannot clearly be funded by established "core funding". *(*WEFO 2005a)

Comment: It is important to account for additionality, demonstrating the full added value of using Structural Funding rather than domestic funding.

Monitoring and Evaluation

5.27 The Commission has consistently highlighted the importance of monitoring and evaluation in programme implementation and consequently there tends to be a high level of monitoring and evaluation activity when compared to most national and regional domestic approaches across the EU. The advances which have been made in the past mean that there is a major opportunity to build on the experiences from the previous round to further strengthen monitoring and evaluation systems. This section looks at the experience of monitoring and evaluation discussed in some of the literature thus far, and makes a number of high level recommendations for future development of monitoring and evaluation systems.

Monitoring

5.28 Evidence suggests that monitoring has not been as effective as expected, partly because of the difficulty of collecting meaningful information. (*Third Report on Economic and Social Cohesion* European Commission 2006a).

Comment: Monitoring systems are critical for future evaluations of programmes but there is an ongoing challenge to ensure that monitoring systems do not attempt to measure everything and so increase the administrative burden.

5.29 Project data quality was not found to be uniformly high (Wales Objective 1 MTEU and MTE, URBAN MTEU, Objective 2 MTE). Projects did not always ensure strong linkages between interventions and the reported outputs or keep the required evidence (Objective 1 MTE and MTEU).

5.30 More post-approval contact with projects might help with this (Wales: Objective 1 and INTERREG MTEs). Alternatively a new approach, for example issuing looser definitions and applying discount factors to the figures provided, could be considered (Wales Objective 1 MTEU). There also needs to be stronger encouragement for projects to monitor beneficiary satisfaction and the quality of the service provided for projects and for this information to be used to reflect on and make adjustments to project delivery *(*WEFO 2005a)

5.31 Lack of qualitative project monitoring was a source of frustration at all levels of project and programme management. This was seen to delay identification of problems in project delivery by programme managers, and to hamper dissemination of good practice (Wales Objective 1 and 3 MTE).

5.32 There were often substantial delays between the achievement of outcomes and projects providing monitoring data to WEFO (Objective 1,2/T and 3 MTEs). Possible solutions included the online submission of monitoring data or providing a 'template' database to projects for recording beneficiary / SME final recipient details. The latter option would also facilitate the central collection of beneficiary / SME final recipient data (Objective 1, 3, INTERREG IIIA and URBAN MTEUs, Objective 1 and 3 MTEs).

5.33 Projects should be encouraged to carry out follow-up work with beneficiaries (URBAN MTEU, Objective 1 and 3 MTE).

5.34 It is crucial to work with the projects and project sponsors to ensure that monitoring takes place consistently and across all projects. To achieve this, it is critical to make the process as user-friendly as possible, supplying guidance and templates throughout. Helping to inform project sponsors and projects at the outset why and what is monitored, and what they are expected to contribute to ongoing monitoring, can help to achieve consistency, as well as buy-in.

5.35 The appraisal stage (application) is critical to later monitoring and evaluation. Monitoring and evaluation determines whether projects are achieving what was originally set out and an incomplete initial appraisal can make it very difficult to assess whether a project is successful. For the purpose of transparency and consistency, it would be useful to establish a simple, concise template (with guidance alongside) which can be used by individual projects to record a number of key items of information (e.g. main objectives, target groups, targets, monitoring and evaluation plans) for each project at the outset.

Evaluation

5.36 Evaluation has improved over time, but still varies considerably between Member States in the way it is implemented. In the 2000 – 2006 programming period, evaluations are required to be undertaken ex ante by Member States, and at mid-term in cooperation with the Commission — in time for the results to affect decisions on the remainder of the programme. Although ex post evaluations are required by the Commission, they are not required until two years after the programme ends which has led to the suggestion that this creates difficulty in making effective use of the results ('Third Report on Economic and Social Cohesion' European Commission 2004). It was further suggested that the process might be made more useful and relevant by increasing the involvement of regions and Member States in the process by thus more readily promoting and highlighting the specific needs of regions. (European Commission *ibid)*). The Commission's draft Working Paper on ongoing evaluation suggests that in the new programming period the focus should shift further towards an ongoing evaluation process.

5.37 In Wales, the Mid Term Evaluations of the Programmes were used to adjust the Programmes and most of the recommendations were implemented. Where the recommendations were not implemented, there were generally good reasons for not doing so, or the recommendations had been superseded by events (Wales Objective 1,2/T,3, INTERREG IIIA, URBAN and LEADER+ MTEUs). Similarly, good progress had been made across England on implementing recommendations made in the MTE. Where recommendations

have not been implemented this was generally due to a conscious decision not to do so, for example to take into account changes in circumstances rather than reluctance to implement the recommendations made (Updated Mid Term Evaluation of England Objective 1 and 2 Programmes - Collation of Regional Analysis).

5.38 Evaluation requirements should be tightened for all projects. External evaluation should be made mandatory for larger projects (Objective 1 MTEU, Objective 3 MTEU and INTERREG IIIA MTEU). The results of evaluations need to be fed back to WEFO and other interested parties (Objective 1 MTEU).

5.39 If more emphasis is being put on individual projects to evaluate themselves (this change in emphasis in part enabled by a smaller number of larger projects) or if project self-evaluation becomes a condition of funding, it will be important to build capacity to carry this out in terms of resources set aside for evaluation and in enhancing the interaction with the evaluation community.

5.40 Establishing an overarching Monitoring and Evaluation Strategy (Article 46 refers to an ‘Evaluation Plan’) at the outset of the programme is a useful way to ensure consistency and coherence. Such a strategy should remain flexible throughout the programming period but would be a useful framework.

Conclusions and lessons learned: implementation

5.41 This chapter has focused primarily on implementation systems and although considerable improvements have been made across the EU, there nevertheless remains some important lessons to be learned for further improvement.

5.42 The idea of partnership in delivery is a core principle of Structural Funds, and it was found that stronger partnership in earlier design and implementation stages has led to better targeted and more innovative projects. At the appraisal stage, there is considerable scope to improve processes across most regions of the UK, moving away from the mechanistic scoring system to an appraisal process aimed at selecting projects that will provide the most added value to the programmes.

5.43 Administrative burdens are an issue but, although this burden can be reduced to an extent, this is likely to remain an issue, particularly for smaller partners and projects.

5.44 Monitoring and evaluation is crucial not only to current plans, but to design of future programmes. However, there are difficulties in collecting the necessary information required for monitoring, and excessive monitoring in itself can become an administrative burden. Project-level data was found to be deficient in many of the evaluations reviewed, with many projects not collecting the required evidence. More guidance and support is needed and in some cases it might be necessary to consider alternative approaches to measure the impact of the programmes.

5.45 Evaluation in the new programming period will be a much more dynamic process, focused on the needs of the managing authorities. More emphasis on project-level monitoring and on building evaluation capacity will enhance evaluation practice.

5.46 In this chapter, we have identified several elements of the implementation process where lessons can be learned:

Partnerships and Private Sector Involvement

- In Wales, the Partnerships worked well and have built up expertise and capacity, providing a good foundation for the next programming period.

- To enable Partnerships to work efficiently, there needs to be a clear understanding on all sides of the roles and responsibilities. Ongoing training would help to support the partnership process.

- Structures should be put in place to encourage sharing of good practice, joint working and networking between Partnerships.

- Continuing effort is required to involve the private sector in the Partnerships and in sponsoring projects.

- Administration, Process and Financial Management Issues

- While there is a clear requirement by the Commission to track what happens to the Structural Funds, wherever possible administration should be minimised and processes dovetailed with existing mechanisms already used by project sponsor organisations.

- Data on the cost of implementing the projects needs to be collected systematically. This data needs to be fine grained enough to enable assessments of cost efficiency and effectiveness.

- Application forms for funding need to be as simple as possible and the application process needs to be accompanied by further guidance and support, including the application process and feedback on the application.

- A common template which records information on each project consistently at the outset would assist in monitoring and evaluation throughout the Programme period.

- Simplification of the financial requirements would ease the burden on projects and could improve compliance with audit requirements Using key funds or global grants (where the award of funding is made to a framework rather than individual projects) can help this simplification.

- Simplification of the claims forms is likely to improve return rates and compliance with monitoring requirements.

- There should be clear and consistent guidance on how projects should publicise the funding received, including how information is relayed to final beneficiaries.

Ongoing Project-Level Implementation

- There should be a particular focus on working with established and successful project sponsors to maximise the benefit from the expertise they have acquired.

- Training for projects in Structural Fund project management would be useful in ensuring that good project management practices are followed

- Disseminating good practice should be a core activity. This will not only enable the ongoing improvement of implementation but will also ensure that the funds can leave a longer term legacy by influencing national and regional policy.

Monitoring and Evaluation

- Systems need to be put into place to enable projects to measure qualitative outcomes more consistently.

- Easy-to-use monitoring guidance for projects and project sponsors, summarising the requirements and setting out why and what is monitored, and what projects and project sponsors are expected to contribute to ongoing monitoring would enhance monitoring.

- Providing online systems and database templates for the submission of monitoring data would encourage timely, consistent and comprehensive submission of data by the projects, including data on beneficiaries (firms or individuals).

- A higher degree of project evaluation will require building evaluation capacity.

- Projects above a certain size should be required to carry out evaluations. Guidance should be provided to all projects to ensure consistency.

- An Evaluation Plan (or Monitoring and Evaluation Framework) should be set out at the outset of the Programmes.

6 CONTRIBUTION TO LISBON AND CROSS CUTTING THEMES

6.1 This chapter investigates how previous programmes have contributed to achieving the Lisbon objectives. Although the Lisbon objectives were formalised after the current Structural Fund Programmes had been developed, a number of the Priorities and Measures in those previous programmes can be linked to the Lisbon objectives, such as development of the knowledge-based economy and encouraging innovation and entrepreneurship.

6.2 This chapter also investigates what can be learned from the last round of European Structural Funds in terms of integrating the CCTs, namely Equal Opportunities and Sustainable Development (with a particular focus on environmental sustainability).

Contribution to Lisbon

6.3 One area that has been supported in previous programmes is the development of the knowledge economy and support for R&D and innovation. For example, under Objective 1 across the EU support has been given to R&D and innovation to:

- construct new research capacity;
- help formulate regional strategies for directing R&D towards meeting local opportunities for development; and
- further the spread of ICT and the skills required to use the new technologies.

6.4 The Commission carried out a ”Thematic Evaluation of the Structural Funds’ Contributions to the Lisbon Strategy” to better understand the contribution of the current generation of Structural Funds to the Lisbon Agenda; to analyse the policy framework at national and regional level for such a contribution; and to explore potentials and limits for the future. The study found that the Lisbon Agenda has had a substantial effect as regards resources allocated to R&D,

IT infrastructure investment, and activities for improving Information Society skills.

6.5 In addition, it needs to be recognised that many of the ESF interventions are also contributing to the Lisbon objective of jobs and growth by increasing employment and providing the skills required for economic growth. These have been discussed earlier in this paper with specific reference to the last round of Programmes in Wales.

6.6 In the Wales Objective 1 Programme, Priority 2 relates directly to Developing Innovation and the Knowledge-Based Economy. The MTEU found strong performance of outputs such as new jobs created and even stronger performance in terms of jobs safeguarded. There was also particularly strong progress in terms of number of companies receiving financial support for R&D/innovation projects and number of companies given advice/information on R&D/innovation projects. There are also good results for number of firms benefiting from e-commerce and ICT support (in line with targets). However, the MTEU found that there is a specific problem with the number of gross new high technology companies which was seen by the evaluators as a disappointing result given the nature of the Measure (Objective 1 MTEU p. 51)

6.7 The MTEU for Objective 2/T notes that actual achievement against Information Society indicators is low in Priority 1 and very low in Priority 2. The evaluators recommended that the problems with implementing Information Society aspects should be investigated with relevant projects and that project sponsors should be encouraged to report comprehensively on outputs and results achieved.

6.8 Varied performance was also identified across UK regions. For example good progress was noted in the Highlands and Islands. However, in a number of areas, for example South Yorkshire, lower expenditure than expected was noted due to lower than expected uptake from SMEs. Generally, in the UK Objective 2 regions, slow take-up of Measures was evident. In Merseyside, evaluators recommended increased effort towards innovation and technology transfer and in Western Scotland evaluators recommended that the

Programme should retain the long-term goal of developing knowledge-based companies.

6.9 In terms of entrepreneurship, support for business start-ups is a common feature across many Structural Fund programmes. In Wales, under Objective 1, the majority of beneficiaries of Structural Fund projects who had been considering starting a business when they were assisted did not eventually do so and those that did generally thought they would have started up a business even without the support. This suggests a relatively low impact in terms of new business creation.

6.10 In contrast, it was felt by a large majority of those businesses that had created jobs as a result of assistance provided by Objective 1 that the jobs would not have been created in the absence of assistance. Businesses supported by projects were generally micro-enterprises (Objective 1 MTEU). Receipt of assistance from multiple SF projects by SMEs or individuals was seen as sometimes being a positive feature of assistance even if it leads to double counting, as the different interventions might meet different needs of the recipient (Objective 1 and 3 MTEU) and together create the conditions for employment growth.

6.11 One of the key areas which has been targeted by SF programmes has been the availability of risk finance for SMEs. However, a DG REGIO (2003) report (*Thematic Evaluation of the Structural Funds' Contribution to the Lisbon Strategy)* suggested that there might be saturation of the market for venture capital funds in the UK, and that close monitoring is essential to ensure that there is a real need for the interventions. This issue was also raised in North East England ('Objective 2 Mid Term Evaluation' EKOS Consulting 2003), where the financial allocation under the relevant Priority was high, but take-up low. The most appropriate potential project sponsors had already applied for funds from the Programme, and it was unclear how there could be a marked step-up in activity. The focus on businesses less than three years old was problematic for the capital Measure: for developing and marketing premises, this would imply only start-up facilities, which would mean that demand for

capital support would be restricted. Greater effect would be achieved by a more systematic approach to the promotion of enterprise and clearer support packages less dependent on individual projects.

> Comment: In areas such as business support through the provision of risk finance, a clear, ongoing market failure needs to be established before intervention is considered.

6.12 As for the use of Information and Communication Technologies in Objective 3 ESF-supported projects, in general there was good alignment between Objective 3 ESF priorities and wider UK Government and regional polices. Promoting wider access to ICT and helping a wide range of individuals improve their ICT-related skills has become a common aim of interventions. However, rigorous links to local labour market needs are often not made explicit and there is a need to ensure that the skills provided fit with the requirements of local employers. Project promoters rely on widely-held perceptions that ICT skills have become a key tool in helping individuals gain work, retain work, and develop their careers. Many of the projects address ICT issues only indirectly (in effect, as 'embedded' learning or as part of more extensive SME support) – but again this can lead to effective contributions towards Information Society goals.

6.13 The processes through which Objective 3 ESF projects are developed and receive approval do not necessarily promote Information Society concepts actively: there is evidence of a certain amount of 'box ticking' at application and approval stages under the old system of bidding to Government Offices – but nevertheless, good performance is often achieved (CRG (2003) 'The Use of ICT in Objective 3 ESF-Supported Projects'. Report to DWP, 2003).

Cross Cutting Themes

6.14 Several evaluations across the UK, including for example the UK Objective 2 evaluations, suggested that more resources could be targeted on integrating the CCTs into the Programmes. One suggested way of doing this is through the development of working groups and the incorporation of CCTs into project selection criteria. In Wales, within the Objective 1 Programme MTE, integration of the CCTs with relevant strategies was noted as being exemplary. Other evaluations have also praised the implementation of CCTs within Programmes in Wales (Objective 2/T and URBAN II MTEs). For Wales the 'Cross Cutting Themes Research Project' (ECOTEC 2006) found that even where projects did not have specific CCT output targets, they all nevertheless commit to implementing the Themes within the operation of their project.

6.15 The Research Project also found that the projects sampled all considered that they were implementing the Themes as intended in the approved application. However, the report found that in many instances these intentions are not very specific and it would be difficult to prove or disprove whether this is the case. A need was thus identified to provide more detailed guidance, particularly to assist sponsors who are willing to implement the Themes but lack the knowledge to do so.

6.16 Also identified by the report was the fact that many projects adopted a 'bolt on' approach to including CCTs in their project, rather than fully integrating the issues – again attributed to a lack of knowledge of how to achieve integration. In addition to lack of knowledge however, several other barriers to integrating the CCTs were identified, including: difficulties in achieving match funding where integrating CCTs added to costs; difficulties with additional processes such as planning permission which added to the length of implementation of projects; and pressures of meeting other targets such as n+2 targets.

6.17 To mainstream the CCTs more effectively, programme evaluations often suggested that these should be considered at all stages of projects. For example, in the Scotland Objective 3 Programme ('Mid Term Evaluation Final Report' Hall Aitken 2003) it was suggested that the CCTs should be tackled by making them a compliance issue. This would require projects having to address CCTs satisfactorily before being approved rather than CCTs just being one factor which is scored as part of the selection process. This should be accompanied by a reduction in the level of monitoring data to be supplied on CCTs as well as practical and more manageable levels of guidance on the integration of CCTs.

6.18 In the South-West England (Objective 1 Programme), the specific dedicated officers in post to support the CCTs were well regarded by stakeholders and projects who were keen that the posts be kept in place after the Objective 1 programming period. Through evaluations carried out by the authors (ECOTEC Research and Consulting Ltd) that included data analysis, stakeholder interviews, projects visits and Theme and community workshops it was found that they brought many benefits. These included: high levels of knowledge; easy access to advice and guidance; provision of practical and realistic suggestions; visibility of the Themes to those previously not engaged in these specific agendas; and increased quality of Theme-based activity (which was embedded as opposed to being an add-on). These advisors acted as catalysts for networking and idea sharing and there was a desire to maintain these posts after the Objective 1 Programme.

6.19 In the Highlands and Islands, there was strong encouragement by the Programme management to integrate the CCTs, with important case-study projects showing how the CCTs can be more widely embedded ('Mid Term Evaluation of the Highlands and Islands Special Transition Programme' Fraser Associates 2003). The evaluators thought that a sharper focus on substantive action that justifies the effort in managing and monitoring would be useful (p 41). The MTE concluded that a more proactive approach was needed to integrate sustainable development into projects and as such the input of a thematic specialist was also recommended when assessing relevant sections of applications, and to provide advice to projects.

Equal Opportunities

6.20 ESF projects in Wales have been successful in targeting certain key groups, including women, people at both ends of the age spectrum, people experiencing long-term unemployment or inactivity and people without qualifications. The Programmes (Objective 1 and 3) were disproportionately successful in helping the most disadvantaged to find work (Leavers Survey, Wales, 2002). Work outcomes for women were as predicted in the Equality Mainstreaming Plan, with a high proportion entering part-time work.

6.21 However, work outcomes for minority ethnic groups and disabled people were poorer than predicted, and suggest more support is needed to maximise their entry to the labour market (Evaluation of equality mainstreaming in ESF Objective 3). In England, Projects that had provided or funded care support for beneficiaries with dependants were not used as extensively as expected at the outset. Most projects offered some support to disabled beneficiaries, including almost 50% who offered some form of specialist support. However, a third of projects had no provision for under-represented groups and overall the forecast level of provision for disabled people was not reached. Projects providing a wage subsidy were not used frequently for all groups especially women and disabled people and it was concluded that levels of childcare, support for disabled people and wage subsidies would all need to increase in the second half of the Programme. (Evaluation of equality mainstreaming in ESF Objective 3 ECOTEC Research and Consultancy Ltd 2004).

6.22 To assist those at some distance from the labour market, the ‘pathways’ approach of the Merseyside Objective 1 Programme (‘Mid Term Evaluation’, Regeneris Consulting 2003) was noted as a good example of the type of intervention which evaluators found to work well. The Highlands and Islands Programme also demonstrated clear success in supporting job entry for disadvantaged beneficiaries (‘Mid Term Evaluation of Special Transition Programme’ Fraser Associates Management and Economics Consultants in association with European Policies Research Centre and The Rural Development Company (2003).

Environment and sustainable development

6.23 During the 2000-2006 programming period, progress in integrating environmental sustainability into the Structural Funds Programmes was made across the UK, especially where dedicated officers or thematic groups were in place. For example in the West Midlands the 'West Midlands Environment and Structural Funds Group' was assessed by the MTEU as having played a particularly prominent role (more so than other thematic groups). The MTEU recommended reviewing whether there should be higher grant rates for projects deemed to implement best practice responses to the CCTs to encourage best practice. In Yorkshire and Humber, the MTE recommended provision of more advice and guidance, customised to different type of projects, in areas such as sustainable construction and dissemination of best practice. Setting up of an Environmental Advisory Group was seen as possible to help guide efforts and help develop links between Objective 2 and other resources in the region.

6.24 In North East England, there was strong emphasis on the environmental CCT, with a range of indicators to capture contributions to environmental sustainability. Guidance and support provided were to a very high standard. One specific need identified was to increase education and awareness raising, including guidance, face-to-face help, training programmes, dissemination of best practice (for example through websites) and an applicant buddy system.

6.25 However, in other areas, progress on environmental sustainability was patchier. In the East of Scotland, at the MTE stage, it was found that there was considerable under-reporting of indicators relating to the CCTs. In Merseyside, the environment CCT (as well as the two other CCTs) was not integrated at Priority or Measure level or built into commitments required of projects. In London Objective 1, there was limited evidence of action to drive forward this activity. Proposals for a Sustainability Officer post were delayed and there was no monitoring of progress against environmental indicators.

6.26 There were also difficulties in engaging partners with the sustainability agenda. For example, in South Yorkshire, environmental sustainability was embedded well into

all priorities but research found a conflict between views of project managers and stakeholders on how relevant this CCT is in the day-to-day implementation of projects. Two explanations were suggested: that there was a difference between strategic intent and delivery; and that there was difficulty in translating environmental sustainability into projects. In Western Scotland, it was felt that the mainstreaming process was more likely to lead to changes in how partners describe projects rather than in design or implementation.

> Comment: Buy-in across partners is essential to integrate the Cross Cutting Themes meaningfully across programmes. This appears to be especially important to support the integration of the environmental sustainability Theme.

6.27 The European Commission recommended that better information systems should be established which allow identification of all fund payments according to their environmentally positive, neutral or negative nature *(Analysis of the impact of Community Policies on Regional Cohesion).* However, the requirement for carrying out Strategic Environmental Assessments on each of the Structural Funds programmes[14] (including environmental monitoring requirements) and more general requirements for environmental monitoring in the legislation can provide an overview of how environmental issues are taken into account in the next round of programmes. In addition, for individual projects with a significant environmental impact an Environmental Impact Assessment will have to be carried out.

> Comment: More detailed requirements to account for environmental impacts appear unnecessary, given the ongoing environmental monitoring and assessment already built into the Programmes.

Conclusions and lessons learned: Lisbon and CCTs

6.28 This chapter examined the extent to which the 2000-06 round of Structural Funds could be said to have integrated the CCTs and contributed towards the Lisbon

[14] An SEA is required if the programmes are likely to have a significant impact on the environment.

Objectives. In Wales, as regards the Lisbon Objectives it was concluded that interventions aimed at supporting companies in developing innovation and investing in R&D have tended to be more effective in safeguarding existing jobs rather than creating new jobs. New company creation in the high technology sector has been disappointing. Performance across the UK was found to be varied and it was found for those areas where performance was lacking that a more systematic approach to the promotion of enterprise was recommended.

6.29 The key lessons learned are presented below:

- As regards progress towards Lisbon Objectives, measuring the outputs, results and impact associated with Information Society projects requires further guidance for projects.

- Interventions aimed at supporting companies in developing innovation and investing in R&D have tended to be more effective in safeguarding existing jobs rather than creating new jobs. New company creation in the high technology sector has been disappointing.

- Interventions aimed at improving ICT skills of individuals should show sound evidence of local labour market needs for these skills.

- As regards the CCTs, building on good practice in Wales, the CCTs need to be integrated into programme design to ensure that they are considered within projects from the outset rather than as an add-on.

- Having Thematic Advisory Groups and dedicated officers helps in the implementation of the CCTs.

- Providing case studies and guidance helps to embed the CCTs across the programmes.

7 SUMMARY OF KEY CONCLUSIONS AND RECOMMENDATIONS FOR STRUCTURAL FUNDS IN WALES 2007 – 2013

7.1 Below we have summarised the key conclusions and recommendations arising from the material we have reviewed. These recommendations should be considered carefully in the development of the new Programmes in Wales.

Appropriateness of Programme Strategies

- To be most effective, programmes need to be closely aligned to national and regional economic development strategies and to the key aims of organisations delivering these strategies.

- There needs to be sufficient flexibility in the programmes to adapt to changed national and regional contexts and socio-economic conditions as well as taking into account any overlaps and duplications with other funding programmes which emerge in the course of the programming period. There should be a pro-active approach to reviewing of the programmes to ensure that required changes are anticipated.

- For the 2007 – 2013 programming period, the Commission has decided that the designation of Measures is no longer required. The use of Themes in the programmes is conducive to helping define the kind of projects which will be supported under each Priority but care needs to be taken that Themes will not limit the flexibility of the programmes.

- Having a wide range of policy goals and objectives can make it difficult to link specific Priorities and Themes to the attainment of headline objectives. This makes it important to focus the Structural Funds in a limited number of policy areas. While this applies to the new Convergence Programme, it is even more important for the smaller Competitiveness and European Social Fund Programmes.

Programme performance

- When setting results and impact targets, care should be taken to ensure that these can be realised within the programming period timeframe. Whilst overall, it is desirable to measure the results and impacts of the programmes, the monitoring system and the choice of indicators (and associated targets) are in many cases not the most appropriate way to measure longer-term effects.

- It is useful to retain a degree of flexibility in the allocation of funds to ensure that funding can be targeted at those areas where additional activity is required to meet targets.

- With regard to design and measure of targets and indicators, it is key that the labour market status of beneficiaries is recorded at the outset of the project so that differentiation between outcomes achieved for individuals with varying employment/unemployment status can be identified.

- Following on from this, it was learned that projects aimed at tackling unemployment and inactivity seem to be more successful in helping people to move into paid employment from unemployment than from economic inactivity, probably indicating different distances of individuals from the labour market.

- Project sponsors appear to over-estimate success rates associated with their intervention in terms of moving people into employment.

- As regards ‘soft outcomes’ there is still considerable uncertainty about how to measure soft outcomes, such as promoting project participants’ self-confidence, and how they affect labour market outcomes. For the new programming period, it will be important to provide easily accessible guidance to relevant projects from an early stage.

- In terms of workforce development, there needs to be clarity on aims and objectives, determining whether the key aim is to provide businesses with the skills needed or to help disadvantaged groups in the labour market.

- Programme targets for a number of new SMEs being assisted are not being met. This indicates that the whole area of support for business start-ups or recent

start-ups needs to be considered carefully to determine how Structural Funds can effectively contribute in this area.

- When setting targets associated to the development of new business premises, the long time span in terms of realised impact should be taken into account. Benchmarks could be derived from the experience in the last round of programming.

Indicators and targets

- Indicators need to be defined at the outset and it is critical to ensure that all indicators are meaningful by (for example) using indicators already in use in the delivery of similar programmes as well as drawing on the EU guidance available. In this respect, guidance needs to be supplied at the outset to encourage the correct usage of indicators, with a specific focus on hard-to-measure results and impact indicators.

- A smaller number of indicators would help to encourage consistency in monitoring and improve data quality. It was found that in the East of Scotland considerable streamlining of indicators took place in this respect.

- To avoid double-counting between projects, a database should be established in Wales which identifies final beneficiaries (SMEs/Individuals)

- Projects should be encouraged to monitor targets over and above the minimum requirements.

Implementation systems

Partnerships and Private Sector Involvement

- In Wales, the Partnerships worked well and have built up expertise and capacity, providing a good foundation for the next programming period.

- To enable partnerships to work efficiently, there needs to be a clear understanding on all sides of the roles and responsibilities. Ongoing training would help to support the partnership process.

- Structures should be put in place to encourage sharing of good practice between partnerships.

- Continuing effort is required to involve the private sector in the partnerships and in sponsoring projects.

Administration, Process and Financial Management Issues

- While there is a clear requirement by the Commission to track what happens to the Structural Funds, wherever possible administration should be minimised and processes dovetailed with existing mechanisms already used by project sponsor organisations.

- Data on the cost of implementing the projects needs to be collected systematically. This data needs to be fine grained enough to enable assessments of cost efficiency and effectiveness.

- Application forms for funding need to be as simple as possible and the application process needs to be accompanied by further guidance and support, including the application process and feedback on the application.

- A common template which records information on each project consistently at the outset would assist in monitoring and evaluation throughout the Programme period.

- Simplification of the financial requirements would ease the burden on projects and could improve compliance with audit requirements.

- Simplification of the claims forms is likely to improve return rates and compliance with monitoring requirements

- There should be clear and consistent guidance on how projects should publicise the funding received, including how information is relayed to final beneficiaries.

Ongoing Project-Level Implementation

- There should be a particular focus on working with established and successful project sponsors to maximise the benefit from the expertise they have acquired.

- Training for projects in Structural Fund project management would be useful in ensuring that good project management practices are followed

- Disseminating good practice should be a core activity. This will not only enable the ongoing improvement of implementation but will also ensure that the funds can leave a longer term legacy by influencing national and regional policy.

Monitoring and Evaluation

- Systems need to be put into place to enable projects to measure qualitative outcomes more consistently.

- Easy-to-use monitoring guidance for projects and project sponsors, summarising the requirements and setting out why and what is monitored, and what projects and project sponsors are expected to contribute to ongoing monitoring would enhance monitoring.

- Providing online systems and database templates for the submission of monitoring data would encourage timely, consistent and comprehensive submission of data by the projects, including data on beneficiaries (firms or individuals).

- A higher degree of project evaluation will require building evaluation capacity.

- Projects above a certain size should be required to carry out evaluations. Guidance should be provided to all projects to ensure consistency.

- An Evaluation Plan (or Monitoring and Evaluation Framework) should be set out at the outset of the Programmes.

Contribution to Lisbon and Cross Cutting Themes

- As regards progress towards Lisbon Objectives, measuring the outputs, results and impact associated with Information Society projects requires further guidance.

- Interventions aimed at supporting companies in developing innovation and investing in R&D have tended to be more effective in safeguarding existing jobs rather than creating new jobs. New company creation in the high technology sector has been disappointing.

- Interventions aimed at improving ICT skills of individuals should make the links between these skills and the local labour market needs explicit.

- As regards the CCTs, building on good practice in Wales, the CCTs need to be integrated into programme design to ensure that they are considered within projects from the outset rather than as an add-on.

- Having Thematic Advisory Groups and dedicated officers helps in the implementation of the CCTs.

- Providing case studies and guidance helps to embed the CCTs across the programmes.

Annex A: Bibliography

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[20] The overall aim of the project was to carry out case-study research with Objective 1 funded projects that demonstrated aspects of good practice in project management, with a view to promoting the adoption of good project management practices in current and future projects.

[21] Aim of the study: surveys the attitudes of European Structural Funds applicants from 2000 to 2004. It includes views on: the development of an application for Structural Fund support; the appraisal of applications following submission, but prior to approval; the service provided by WEFO to projects after approval; and the overall quality of service received from WEFO.

Annex B: Objective 1, 2/T and 3 Programmes' Priorities and Measures (2000-2006)

Objective 1 Programme - West Wales and the Valley

Priority 1: Expanding and Developing the SME base

1.1 Financial support for SMEs (ERDF)

1.2 Promoting Entrepreneurship and Increasing the birth rate of SMEs (ERDF)

1.3 Developing competitive SMEs (ERDF)

1.4 Promoting adaptability and entrepreneurship (ESF)

1.5 Providing sites and premises for SMEs (ERDF)

Priority 2: Developing Innovation and the Knowledge Based Economy

2.1 ICT infrastructure (ERDF)

2.2 To stimulate and support demand for ICT (ERDF)

2.3 Support for the development of innovation and research and development (ERDF)

2.4 Skills for innovation and technology (ESF)

2.5 Clean energy sector developments (ERDF)

Priority 3: Community Economic Regeneration

3.1 Community action for social inclusion (ESF)

3.2 Partnership and community capacity building (ERDF)

3.3 Regeneration of deprived areas through community-led action (ERDF)

3.4 Supporting the creation and development of businesses in the social economy (ERDF)

Priority 4: Developing People

4.1 Preventative and active labour market measures (ESF)

4.2 Social inclusion (ESF)

4.3 Lifetime learning for all (ESF)

4.4 Improving the learning system (ERDF)

4.5 Improving the participation of women in the labour market (ESF)

4.6 Anticipation and analysis of skills needs (ESF)

Priority 5: Rural Development and the Sustainable Use of Natural Resources

5.1 Processing and marketing of agricultural products (EAGGF)

5.2 Training services to help farming adapt and diversify (EAGGF)

5.3 Forestry (EAGGF)

5.4 Promoting the adaptation and development of rural areas (EAGGF)

5.5 Investment in agricultural holdings (EAGGF)

5.6 Promoting local economic development (ERDF)

5.7 A sustainable countryside – enhancement and protection of the natural environment and countryside management (EAGGF)

5.8 Support for recreational opportunities and management of the natural environment (ERDF)

5.9 Support for fisheries and aquaculture (FIFG)

Priority 6: Strategic Infrastructure Development

6.1 Accessibility and transport (ERDF)

6.2 Energy Infrastructure (ERDF)

6.3 Strategic employment sites (ERDF)

6.4 Environmental infrastructure (ERDF)

Priority 7: Technical Assistance

7.1 Promoting effective programme management (ERDF)

7.2 Promoting effective programme management (ESF)

7.3 Publicity and Research (ERDF)

7.4 Publicity and Research (ESF)

Objective 2/T Programme – East Wales

Priority 1: Sustainable and Competitive SMEs

1.1 Support for Enterprise

1.2 Innovation and SME Development

1.3 Development of Premises for SMEs

Priority 2: Sustainable Rural Development

2.1 Rural Economic Development

2.2 Building Rural Networks

Priority 3: Urban Community Regeneration

3.1 Capacity Building & Community Initiatives

3.2 Developing the Social Economy

Priority 4: Technical Assistance

4.1 Effective Programme Management

4.2 Raising Awareness of the Programme

Objective 3 Programme – East Wales

Priority 1: Developing Active Labour Market Policies to Prevent and Combat Unemployment

1.1 Preventing Long-Term Unemployment

1.2 Re-integration of the Long-Term Unemployed

1.3 Supporting the Transition From Education to the Labour Market

Priority 2: Equal Opportunities for All and Promoting Social Inclusion

2.1 Pathways to Employment

2.2 Capacity Building for Community Based Groups

2.3 The Development of Business Opportunities in the Social Economy

2.4 Local Development to Promote Social Inclusion

Priority 3: Lifelong Learning

3.1 Developing New or Improved Guidance and Learning Systems

3.2 Increasing Participation and Attainment in Lifelong Learning

Priority 4: Promoting Business Competitiveness

4.1 Supporting Management Development

4.2 Skills and Knowledge Development for the Workforce in SMEs

4.3 Encouraging Innovation, R&D and the Information Society for Growth

4.4 Support to Encourage and Develop Entrepreneurship

4.5 Anticipation and Analysis of Skills Needs

Priority 5: Promoting Gender Equality within the Labour Market

5.1 Pathways to Participation

5.2 Promoting Attitudinal Change

ANNEX C – EX-ANTE EVALUATION

Ex Ante Evaluation of the 2007 – 2013 ESF Convergence Programme

Final Report
March 2007

Private and Confidential

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EXECUTIVE SUMMARY

This document contains the ex ante appraisal of the 2007 - 2013 ESF Convergence Programme for West Wales and the Valleys (WWV), carried out by DTZ on behalf of WEFO. This Summary provides an overview of each of the Chapter contents, including the main conclusions and recommendations.

It is important to highlight that this document provides an overview of the process of preparing the Operational Programme (OP), and that rather than just appraising the final OP document, it reflects an iterative appraisal process that took place over a number of months. At each stage of the process, DTZ provided WEFO with a number of comments and recommendations relating to each element of the eventual OP. WEFO implemented the vast majority of these recommendations. In the minority of cases where WEFO declined to implement recommendations, WEFO generally provided reasoned arguments as to why it was not deemed appropriate to accept and implement the comment.

Therefore, most recommendations relate to earlier stages of the Consultation Document. However, as far as possible we have kept the content of the main body of the report relevant to the most recent version of documents provided by WEFO to DTZ and put much of the historical content into Annex D.

Throughout the process, the ex ante evaluation has also assessed the extent to which the Programme maximizes Community added value, in terms of economic and social cohesion, policy added value in relation to Community priorities, financial added value and added value of the Structural Funds method. This assessment has been based on the assessment of the Operational Programme, as well as drawing on the Lessons Learned paper. Overall, the Programme is designed to maximise Community added value, specifically by supporting Community economic and social cohesion objectives, being strongly complementary to Community priorities, especially Lisbon, and adding value through the method of implementation.

Chapter 1 contains an overview of the study brief and the methodological approach taken by DTZ to address the different stages of the evaluation. Chapter 1 highlights the way in which the evaluation was an interactive and iterative process between DTZ and WEFO.

Chapter 2 provides an appraisal of the analysis of the labour market conditions in Wales as undertaken by WAG's Economic Advice Division (EcAD). DTZ reviewed and commented upon a first draft of this document, and made a number of recommendations. The second draft of the Labour Market Analysis incorporated the vast majority of the comments and recommendations suggested by DTZ. Following the appraisal of the second draft, a number of additional comments were made in order to further improve the Labour Market Analysis. As with other recommendations made throughout the evaluation, the extent to which these recommendations were accepted and implemented is discussed in Chapter 6.

It was found that; the data sources were credible and representative; no evidence emerged that contradicted the evidence reported in the Analysis; and that sufficient sub-regional analysis was undertaken where appropriate.

However, several areas of concern emerged and hence recommendations were made, mainly relating to gaps in the analysis and a lack of appropriate comparators due to a lack of use of EU(25) data. Overall however, the second draft was found to be a very well written and constructed document, with discussions of data clear and well explained and relevant to the labour market conditions of the area assessed.

Chapter 3 assesses the strategy and the aims and objectives of the Programme, focusing in particular on appraising the rationale of the Programme and its internal consistency.

DTZ has found that, in general, the rationale of the Programme is well developed and for the most part there is a strong link between the key challenges facing West Wales and the Valleys (WWV), the strategic vision, and the key elements of the Programme in terms of Priorities and Themes. A number of recommendations

were made in order to strengthen the link between the rationale and objectives of the Programme and the needs of the WWV area.

These recommendations related to; more clearly explaining the underlying need for intervention in some cases; investigating and discussing in more detail the underlying link between the causes and effects of various problems in the area (i.e. poverty, worklessness and social exclusion); a more explicit identification of how the Programme-funded interventions will contribute towards 'solving' the market failures identified in the area; highlighting more clearly how delivery through Structural Funds will add value; and greater clarity about the specific rationale for each Theme: for example whether a Theme is primarily aimed at addressing employability or improving skills. For the most part, the recommendations suggested by DTZ were taken on board by WEFO and subsequently implemented. Details can be found in Chapter 6.

Chapter 3 also looks at the internal consistency of the Programme – i.e. to what extent the Priorities and Themes are complementary and not in conflict with or overlapping each other. The appraisal of this issue concluded that the Programme Priorities have a high degree of internal consistency, with few conflicts between Priorities. The majority of interventions are found to be well established and tried and tested in previous programmes, which reduces policy risk. There may be scope to consider whether the mix of risk and impact is appropriate and whether there is scope to include more risky policies with higher levels of potential impact.

Chapter 4 appraises the Programme in terms of its external consistency with other national, UK and EU strategies and policies. In this respect it is concluded that for the most part, the Programme is consistent with the policies and strategies at Welsh, UK and EU levels. However, at all levels recommendations were made in order to strengthen the cohesion between the Programme and the main overarching policy environments in which it operates.

In terms of strategic fit with key Welsh policies, the Programme was found to be largely consistent with their broad aims and policy direction. However, a number

of recommendations were made in order to strengthen the consistency further. These are discussed in Chapter 4 and detailed in Annex D.

As regards the consistency with UK strategy and policy the Programme was again found to be consistent, with only a few recommendations for improving consistency further:

- Consider whether promoting work/life balance and providing incentives to encourage participation should be considered in the strategy; and
- Consider whether affordable childcare should be explicitly referenced in Priority 2 Theme 2.

At the EU level it was suggested that in order for the Programme to be fully consistent with European strategies and policies several issues needed to be addressed including: detailing the rationale for excluding the Themes mentioned in the Structural Funds regulations; including more detail on how Equal Opportunities can be integrated in the day-to-day implementation of the Programme; and clarifying how the Programme will contribute to environmental sustainability objectives.

Finally, DTZ found a high degree of fit between the ERDF Convergence Programme and the ESF Convergence Programme.

Chapter 5 gives an appraisal of Programme implementation, monitoring and evaluation arrangements. It assesses the robustness of the overall arrangements for implementation of the Programme. A number of recommendations are made in this chapter, at a high level and in terms of specific elements of the implementation arrangements such as partnership arrangements, the designation of authorities, and monitoring and evaluation.

As regards monitoring and evaluation, DTZ made a significant number of comments and recommendations relating to the arrangements detailed in earlier versions of the Programme. DTZ concluded that the documentation set out a very broad overview of what will be required in terms of monitoring and evaluation but that many elements were not explored in detail. The key recommendation made

by DTZ was therefore that the monitoring and evaluation provisions for the new programming period should be set out in greater detail. We suggested that a **monitoring and evaluation strategy (or evaluation plan)** would be an appropriate way of doing this.

As a result of the DTZ recommendation WEFO committed to drawing up a Monitoring and Evaluation Plan, the process of which will address the majority of the more specific recommendations relating to monitoring and evaluation. Since these recommendations have been in the most part taken on board by WEFO, the full range of detailed comments can be found in the relevant part of Annex D relating to Chapter 5.

The final section of Chapter 5 looks at the indicator framework for ESF and discusses the methodology and key results of the target setting exercise.

Chapter 6 discusses the recommendations made by DTZ throughout the entire appraisal process and summarises the WEFO response in terms of agreement/disagreement, and any actions taken. In the main, the vast majority of recommendations and comments were accepted by WEFO and implemented. The final Operational Programme document is in itself an indication of the extent to which the recommendations were taken on board, and thus the discussion here is fairly high-level, with Chapter 6 providing a very brief overview of the broad areas in which recommendations were made rather than detailing every fine point that was discussed and agreed upon.

Chapter 7 provides some overall conclusions and recommendations on the evaluation process and findings.

There are several Annexes at the end of the document:

Annex A: Bibliography

Annex B: Lessons Learned

Annex C: Environmental Report - An initial screening appraisal was carried out for both the ERDF and ESF Programmes. However, although it was concluded

that a full report was required for the ERDF Programme, it was discovered from the screening process that the ESF Programme did not require a full SEA. This Annex therefore provides a statement to this effect.

Annex D: Details of Recommendations – An overview of each of the recommendations that were made by DTZ throughout the appraisal of the Programme. How WEFO responded to these comments and recommendations is detailed in Chapter 6, with the conclusion that the vast majority were agreed with and implemented.

1. INTRODUCTION AND STUDY APPROACH

Chapter overview

1.1. This chapter provides an overview of the Ex-Ante Evaluation of the West Wales and the Valleys ESF Convergence Programme for 2007-2013. Under European guidance (European Commission 2005 'The New Programming Period, 2007-2013: Methodological Working Papers, Draft Working Paper of Ex Ante Evaluation'[1]), the Programme is required to be evaluated in a way that is an iterative process in which each feedback and output from each stage feeds through into the next stage.

Evaluation requirements

1.2. In carrying out the ex ante evaluation, there are several areas and issues that the evaluators must address. It is imperative that the evaluation assesses the rationale of the Programme and seeks to answer whether it adequately addresses the needs of the area. For the ESF Programme this involved DTZ appraising the Labour Market Analysis of the area to determine whether it used the appropriate data, drew valid conclusions from that data and thus correctly identified the key issues in the area.

1.3. The evaluation then must assess whether the Priorities and Themes of the Programme sufficiently reflect the key problems, and whether they are the correct interventions to address the identified market failures. This process was carried out by DTZ through an in-depth assessment of each of the Priorities and Themes of the Programme. Recommendations were made regarding the content and approach of the Priorities, with an additional Priority subsequently included by WEFO in the Operational Programme (OP).

1.4. Subsequently, the evaluation assessed the internal and external consistency of the Programme to ensure that within the Priorities and Themes there was complementarity, and as far as possible, an absence of gaps or duplications. Externally, the cohesion of the Programme was assessed

against other Welsh policies and strategies, and the relevant UK and EU strategies, including the Lisbon Agenda.

1.5. As well as assessing the content, strategy and direction of the Programme, the evaluation appraised the various elements relating to the practical processes in place for implementing the Programme, carrying out ongoing monitoring and evaluation, and the levels of targets to be worked towards. As with each stage this involved working closely with WEFO and providing recommendations at each draft of the Consultation through the preparation of the OP.

Approach and methodology

1.6. In carrying out this evaluation, DTZ's approach has been to work closely with WEFO and the wider stakeholders to ensure that the recommendations of the evaluation are incorporated in the development of the OP. This approach has enabled us to provide an ex ante evaluation which goes beyond what is contained in this document. Rather, it is the changes to the OP resulting from our work which demonstrate our ongoing involvement with WEFO and these are the real output of the evaluation.

1.7. Consequently, this report does not focus on the exhaustive list of recommendations and how these have been implemented by WEFO. While this detail is contained in Annex D, the main part of the evaluation is the focus on the high level Themes emerging from the ex ante evaluation and areas where recommendations have not been implemented in full, to explore why in those limited areas there is a difference in approach by WEFO.

1.8. In the main, from the standpoint of the evaluators, the ex ante evaluation process has been very productive, with most suggestions and recommendations being implemented by WEFO. For each area of the OP, from the Labour Market Analysis through to the plans for implementation, WEFO provided DTZ with an initial draft that was then commented upon with

[1] Available from http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/exante_sf2007-2013_en.pdf

recommendations made, and further drafts then submitted. The process of evaluation has thus followed closely the principle of the process being an ongoing dialogue.

1.9. Further, WEFO was able to draw not only from their experiences of the last round of programming, but also from the considerable preparation which has gone on in the run-up to the new Programmes, not least the partnership arrangements that have guided the development of the new Programmes.

1.10. We have been conscious of the principle of partnership that has underpinned the development of the OP. In light of the different viewpoint taken by an evaluator, our recommendations have not always corresponded to the views of stakeholders. In many of these cases, we have asked WEFO to strengthen the underpinning rationale for inclusion of particular elements rather than recommending removal of these elements. For the OP to truly reflect partnership principles and local priorities, we believe that it is critical that the ex ante evaluators do not completely 'dictate' what should be included in the OP but that they can accept the policy direction from local, regional and national partnerships as appropriate.

1.11. Similarly, it is important that an appropriate balance is found between the amount of detail required in the OP and the ability of the partnerships to react to changing circumstances and to flexibly implement the Programme as it develops over time. While in some areas more detail was requested by the evaluators, we accept that there is a limit to how much detail is productively included in the OP.

1.12. Our approach has been to work with WEFO as much as possible, working as flexibly as possible to ensure that the requirements of the evaluation did not have a detrimental effect on the development of the OP itself by making additional demands on the time of those drafting the Programmes. During the evaluation, we met with all the key staff at different stages and we reviewed the chapters of the OP as they were drafted, often

providing early thoughts and suggestions before doing the ex ante appraisal itself. At the same time we carried out the screening report to identify whether a full Strategic Environmental Analysis (SEA) was required (which was carried out by Royal Haskoning as a sub-consultant to DTZ with the conclusion that this was not the case for the ESF Programme) and we also further developed the lessons learned paper provided by WEFO. Both of these documents are annexed to this report.

1.13. We also worked with WEFO to develop indicators and targets for the Programme, engaging in an ongoing process of reviewing the methodology and working to agree on the best way to use the data available from the previous round of programming as well as other data sources.

Community added value

1.14. As highlighted in the Commission's Draft Working Paper on Ex Ante Evaluation (2005), the ex ante evaluation needs to assess the degree to which Community added value is maximised throughout the Programme. The concept of community added value is defined on the basis of a range of criteria:

- Economic and social cohesion;
- Policy added value in relation to Community priorities;
- Financial added value, in terms of additionality and leverage effect;
- The added value of the Structural Funds method, including partnership, multi-annual planning, monitoring, evaluation and sound financial management; and
- Added value which stems from the exchange of experience and networking at a transnational, national or regional level.

1.15. Throughout the process, the ex ante evaluators have assessed the extent to which the Programme maximises Community added value, drawing on the Lessons Learned paper, and have made recommendations guided by

the concern to maximise Community added value. In line with the overall approach to this evaluation, this has been a dynamic process which has led to the vast majority of recommendations being implemented by WEFO before finalising the Programme. The consideration of Community added value has taken place throughout and is thus integrated into the assessment of the Programme within the chapters commenting on each of the component parts of the OP.

Conclusions

1.16. Following this process of dialogue and iteration, and the extent to which WEFO considered and implemented the vast majority of recommendations made, has ensured that the final OP is a sound and robust document that can serve as a basis for addressing the main labour market failures in West Wales and the Valleys.

2. APPRAISAL OF ANALYSIS

Chapter overview

2.1. In order to help decide upon the Priorities for ESF intervention, the Assembly's Economic Advice Division (EcAD) undertook an analysis of the labour market conditions in Wales. DTZ appraised this analysis and suggested a number of changes to EcAD. The analysis was revised and this second draft was appraised by DTZ.

2.2. DTZ appraised the Analysis according to the Structural Funds ESF regulations, the European Commission's *Draft Working Paper on Ex Ante Evaluation* (especially Annex 2 of that paper) and our knowledge of both the region and the appropriate data sources on the issues facing the region. A further element of appraisal takes the form of an assessment of the extent to which the Programme provides Community added value, and whether the Analysis adequately forms the basis for identifying strategic actions for Programme interventions.

2.3. Overall, the vast majority of recommendations were implemented. As set out in the chapter outlining our approach to the study, the ex ante evaluation process has been characterised by ongoing interaction with WEFO and as a result, the final version of the Analysis fulfils the ex ante evaluation requirements fully.

2.4. This chapter presents DTZ's appraisals of the Labour Market Analysis. A discussion of the main recommendations that were made and how these were or were not implemented can be found in Annex D. The chapter is structured as follows:

- Appraisal of the Analysis; and
- Conclusions and recommendations.

Appraisal of the Analysis

2.5. The Analysis is a well-written and constructed document. The vast majority of recommendations made in DTZ's appraisal of the first draft were implemented in the second draft.

2.6. It is appropriately structured around the following headings:

- Population;
- Enhancing access to employment and inclusion in the labour market;
- Reinforcing social inclusion;
- Enhancing human capital;
- Deprivation; and
- SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis.

2.7. This structure maps closely onto the structure recommended in Annex 2 of the Draft Working Paper on Ex Ante Evaluation:

- SWOT analysis;
- Access to employment for everyone;
- Social inclusion; and
- Enhancement of human capital.

2.8. Within the sections, the discussion of data is clear, well explained and relevant to the labour market conditions of East Wales and West Wales and the Valleys.

2.9. There are a number of specific questions that the appraisal of the analysis should answer, based on WEFO's project specification. These questions are addressed below:

- **Are the sources of data used credible?**

  The data sources used include Office for National Statistics, Eurostat, Labour Force Survey, Welsh Health Survey, Welsh Index of Multiple Deprivation, peer reviewed papers, data gathered from methodologically sound surveys of businesses, and government department information. These data sources can all be considered credible and representative.

- **Are the conclusions based on sufficient evidence?**

  The evidence as presented points to the conclusions that have been drawn. The link between the evidence and the conclusion is well explained. However, a weakness is that conclusions are based on comparisons within Wales or with the UK. More EU-level evidence would be useful.

- **Can any of the evidence be interpreted in a different way?**

  There is a conclusion drawn that there is a strong correlation between economic inactivity and skills levels and that this is a big contributing factor to the numbers of people who are economically inactive. No absolute figures are given for the numbers of people with no qualifications. It could be a very small number of people who are becoming increasingly marginalised, rather than a large number of people as is the case with ill-health caused inactivity.

- **Is there any evidence that contradicts the evidence reported in the analysis?**

  None that we have found.

- **Are the appropriate comparators used?**

  Not enough comparison with EU(25) countries has taken place.

- **Has there been sufficient sub-regional analysis where appropriate?**

  Yes. The differing needs of rural and urban East Wales and West Wales and the Valleys have been illustrated where necessary.

- **Is the analysis relevant, accurate, comprehensive and up-to-date?**

  It is relevant, accurate and up-to-date. However, few conclusions have been drawn about East Wales, with much of the analysis concentrating on West Wales and the Valleys. This is unsurprising, given the worse labour market conditions in WWV.

- **Are there any gaps in the analysis?**

  Yes. There is a need for further comparison with EU(25) data.

2.10. The SWOT analysis forms the basis of the development of the Programme strategy. Weaknesses and threats identified from the analysis will become priorities for intervention, with strengths and opportunities being built on.

2.11. For the most part the SWOT analyses for both West Wales and the Valleys and East Wales are excellent and follow closely the Labour Market Analysis that precedes it. There are three areas common to both SWOT analyses that do not tie in with the Labour Market Analysis:

- An identified weakness in the SWOT analysis is that increased deprivation is seen in areas with higher numbers of Black and Minority Ethnic individuals, but this is not discussed in the Labour Market Analysis.

- The strength of the higher education (HE) sector in WWV is classed in the SWOT analysis as an opportunity and again this does not tie in with the Labour Market Analysis.

- There is a threat identified that falling demand for low-skilled workers is cited as 'the principal cause for increased economic inactivity in Wales'. The evidence as presented in the Labour Market Analysis suggests it is self-reported ill health that is the principal cause.

Community added value

2.12. Throughout the evaluation, the evaluators have considered to what extent the Programme provides Community added value. With respect to the analysis chapter, the key consideration has been whether the Analysis indicates that the Programme can add value to the Economic and Social Cohesion of the Convergence area, and in particular whether the Programme is designed to maximise regional economic and social convergence. The Lessons Learned paper has highlighted that its is important to base the Programmes on sound analysis, while at the same time making sure that the Programmes can be flexible enough to evolve throughout the programming period.

2.13. The Analysis Chapter identifies key areas of progress while at the same time highlighting that key challenges remain for the Convergence area. The analysis is sound and links strongly to the proposed interventions under the Programme. These challenges and associated interventions indicate clearly that the Programme can provide significant Community added value in relation to economic and social cohesion.

Revisions to the Analysis prior to submission to Commission

2.14. A number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission in mid-December 2006. The revisions as they affect our appraisal of the Labour Market Analysis are discussed below.

2.15. A section has been added on human capital, discussing skills as a major factor in the variance of productivity levels across GB. Given that one of the key strategic challenges outlined in the strategy is the lower value-added per worker in WWV which contributes towards GDP standing at 75% of EU25 average, it is a welcome addition that the Analysis explores further potential explanations for the lower value-added. The adverse skills profile is forwarded in the revised OP as explaining approximately 20% of Wales' lower productivity compared to the average for GB as a whole.

2.16. It was further noted by DTZ that not enough comparison with EU25 countries had taken place in the Analysis. In this regard, several elements of the Analysis have been strengthened in the revised OP by comparing the situation in Wales with countries across the European Union. The trend of falling employment among those with low skill levels in WWV is compared across the EU, as are statistics on the proportion of the population with pre-primary, primary and lower secondary qualifications.

2.17. With regards to the SWOT analysis several issues were raised by the evaluators which have since been addressed in the revised OP. It was previously noted by DTZ that an identified weakness in the SWOT analysis was that increased deprivation is seen in areas with higher numbers of Black and Minority Ethnic individuals, but this was not discussed in the Labour Market Analysis. It is noted that this point has been removed from the SWOT analysis in the revised OP.

2.18. It was previously identified by DTZ that the strength of the Higher Education (HE) sector in WWV is classed in the SWOT analysis as an opportunity, and it was noted by the evaluators that this does not tie in with the content of the Labour Market Analysis. It is now noted that this point has been removed from the SWOT analysis.

2.19. Several issues have been added to the SWOT analysis in the revised OP that did not appear in the original. These include the following:

- Adverse skills profile for individuals with a disability compared to those without;
- Higher proportion of 19 – 21 year olds without any formal qualifications than compared to Welsh and UK averages;
- Rise in the number of young people not in employment, education or training (NEET);
- A higher proportion of females across West Wales and the Valleys do not have any formal qualifications than compared to males; and

- High proportion of females working in part-time employment.

2.20. These issues are evidenced and discussed in the Analysis, therefore it is appropriate that they appear in the SWOT analysis.

Conclusions and recommendations

2.21. The second draft of the analysis is a very well written and constructed document. It was discussed that the analysis is appropriately structured, with sections reflecting and mapping closely the structure recommended in Annex 2 of the Draft Working Paper on Ex Ante Evaluation

2.22. Within the sections, the discussion of data is clear, well explained and relevant to the labour market conditions of East Wales and West Wales and the Valleys.

2.23. The second draft of the Labour Market Analysis has incorporated the vast majority of the comments and recommendations suggested by DTZ. Overall, the Analysis clearly fulfils the requirements of the OP.

3. RATIONALE OF THE STRATEGY AND ITS INTERNAL AND EXTERNAL CONSISTENCY

Chapter overview

3.1. This chapter contains the following draft components of the Ex Ante Evaluation for the ESF Convergence Programme:

- Appraisal of the rationale behind the Programme strategy; and
- Appraisal of the internal consistency of the Programme strategy.

Rationale

Introduction to rationale section

3.2. In appraising the Programme rationale the task of the evaluator, as set out within the specification for the Ex Ante Evaluation, is to analyse:

- The objectives and Priorities of the Programme;
- The theory underlying the strategy and the validity of that theory;
- Whether the financial allocations for each part of the strategy are appropriate;
- The case for and against public intervention; and
- 'Trade-offs' inherent within the proposed strategy.

3.3. Item five on the list above is considered comprehensively in the SEA Screening Report and only an overview is presented in this section. The integration of the Cross Cutting Themes and the link to EU policies in these policy areas is discussed under 'Consistency with EU Policies'.

Objectives and Priorities of the Programme

3.4. The Programme Priorities form the focus of this chapter. These Priorities will be appraised in a number of different ways. The following table identifies these Priorities and Themes.

Table 2.1: Summary of Priorities and Themes

Priority 1 Equipping young people with the skills needed for employment
1 Tackling underachievement (Closing the gap)
2 Raising skills and aspirations (Raising the bar)
Priority 2: Increasing employment and tackling economic inactivity
1 Helping people into sustainable development
2 Helping people to remain in work
Priority 3: Improving skill levels and improving the adaptability of the workforce
1 Raising the skills base of the workforce and supporting progression in employment through basic, intermediate and higher level skills.
2 Improving systems for workforce development and addressing skills gaps and shortages and promoting the adaptability of enterprises and workers,
3 Promoting gender equality in employment.
Priority 4: Making the Connections - Modernising and improving the quality of our public services
1 Transforming public services through more effective collaborative working.
2 Building the capacity of public service sectors to deliver higher quality services.

3.5. Following the public Consultation Document, the Priorities and Themes of ESF were changed. The most substantive change was the introduction of a new Priority 1, aimed specifically at young people and employment.

3.6. This is a welcome addition to the Programme, following on from a DTZ recommendation to aim to tackle future unemployment/inactivity through intervention at an early age.

3.7. With the exception of the Theme Promote gender equality in employment which moved from the Priority Increasing Employment and Tackling Economic Activity to the Priority Improving skill levels there were no significant changes to the ESF Convergence Programme other than re-numbering. The discussion of Priorities and Themes that follow in this chapter are therefore still appropriate regarding the content of each.

3.8. In addition, the ESF Convergence Programme will contribute to the two Cross Cutting Themes of Environmental Sustainability and Equal Opportunities.

3.9. These Priorities should be based on evidence of need in WWV. An analysis of WWV has been undertaken and is structured around the following five areas:

- Demographic trends;
- Enhancing access to employment and inclusion in the labour market;
- Reinforcing social inclusion of people at a disadvantage;
- Enhancing human capital; and
- Deprivation.

3.10. The Analysis identifies that in Wales the number of young people not in employment, education or training (NEET) has risen to 13% from 11% in 2002-2003. The Analysis also acknowledges that for young adults, education, skills and their labour market experiences are crucial for their future life patterns. Therefore the evidence provided in the Analysis forms a basis for including this new Priority in the Programme.

3.11. The Analysis highlights that 25% of the overall gap in GVA per head in Wales compared to the UK average is explained by the lower employment to working age ratio. On this basis Priority 2, Increasing employment and tackling economic inactivity, is a valid Priority for the Programme. The evidence detailed in the Analysis supports this Priority in terms of demographic trends and inactivity.

3.12. Priority 3, Improving the skills level and the adaptability of the workforce, is aligned with the need recognised in the Analysis to enhance inclusion in the labour market. This Priority has the potential to improve economic activity rates in WWV and support increased productivity and earnings. The Analysis highlights the high concentration of deprivation in the South Wales Valleys,

and that this is driven by income and employment deprivation. However, in the strategy there is scope to explore the link between worklessness, social exclusion and deprivation. This would strengthen the rationale for intervention in terms of tackling poverty and enhancing equality.

3.13. The Analysis does not explicitly make reference to the quality of public services or the potential gains from increased collaboration in the public sector. More evidence of this would help underpin the validity of Priority 4.

Priorities suggested by the Analysis

3.14. Breaking the Analysis down into the constituent issues that are identified leads to the following suggested list of priorities:

- Attract in-migration of working age population;
- Enhance economic activity amongst working age population;
- Support activity that helps individuals overcome barriers to economic inactivity such as self reported work limiting health conditions, skills attainment and cultural factors;
- Decrease the proportion of young people (particularly male) classified as NEET (not in education, employment or training);
- Reduce the proportion of working age population without any qualifications;
- Decrease the proportion of working age populations without basic skills;
- Increase the qualifications of the workforce;
- Enhance the qualification attainment of pupils in full time education;
- Reduce income and employment deprivation;
- Support a socially inclusive labour market;
- Support those with specific barriers to economic activity; and

- Support activity that encourages people to want to work and raise their aspirations.

3.15. The Programme addresses the majority of these issues with the exception of the role for in-migration in WWV.

Key strategic challenges

3.16. The Programme details key strategic challenges for WWV. The headline economic position outlined is that WWV still lags behind the EU25 countries, with GDP standing at 75% of the EU25 average. This underperformance is partially explained by the lower value-added per worker and a lower employment rate. This ties in with the evidence presented in the Analysis.

3.17. Whilst the industrial mix of WWV is not favourable, there is nothing in the Analysis that supports the assertion that Welsh workers are more or less productive than their EU and UK counterparts. This implies that the key aim of the policy response should be to change the industrial mix of Wales. This can take the form of supporting the conditions for growth for more productive industries by for example providing the right skills training under Priority 2.

3.18. The next strategic challenge identified in the Programme strategy is the low employment rate in WWV compared to the UK and EU average. The majority of this difference, it is claimed, is due to the higher rate of economic inactivity in WWV rather than higher unemployment, and this assertion is supported by the Analysis. What is not mentioned here, however, is the contribution that factors such as ill health, caring responsibilities and disability makes to the high rates of economic inactivity. This is clearly evidenced in the Analysis and should be referenced in the section of the Programme strategy covering strategic challenges.

Strategic vision

3.19. The vision is to create a vibrant entrepreneurial region at the cutting edge of sustainable development with prosperous communities across Wales.

The two key drivers to achieve this are noted as increasing employment and skills and helping businesses to move up the value-chain and increase the value-added per job. Reference is made in this section to a range of strategy documents, in particular W:AVE.

3.20. The Programme fits well with the two drivers, both in terms of increasing employment and in terms of assisting businesses to move up the value chain by providing the required skilled workforce. However, it is not clear how exactly the two key drivers will contribute to the vision and, consequently, how the Programme will contribute to the vision.

3.21. To make the link between the Programme and the Vision more explicit, it would be useful if the contribution of the Programme, especially in terms of skills development, to creating a more vibrant entrepreneurial region is brought out.

3.22. It would also be useful to set out in more detail how the Programme will contribute to the three elements of sustainable development (economic, social and environmental).

3.23. The aspiration of creating prosperous communities across Wales has a clear spatial element but the drivers do not address this explicitly (although it is explored in the context of the spatial strategy later on). Decreasing worklessness is likely to lead to more prosperous communities, given that worklessness is concentrated in currently less advantaged communities. However, while value-added per job might have an effect on average earnings, it is difficult to see how exactly this will have an effect on the least prosperous communities which have limited economic opportunities. As noted above, more detail is needed to make the link explicitly.

3.24. Overall, the two key drivers do not seem to correspond well to the vision and consequently the Programme does not correspond well. The link between the Priorities of the Programme with the vision needs to be made more explicit.

3.25. Throughout the entire ESF Convergence Programme strategy there is an underlying assumption that without intervention the market or individuals will under-invest in activities that will provide long-term gains in employability and positive externalities from skills. This assumption is predicated on the theory that as a result of a range of market failures both individuals and private organisations have shorter time horizons and hence higher discount rates than society as a whole. This means that the future benefits associated with investment are attributed a lower value. The concept of sustainable communities and leaving a positive legacy for future generations therefore requires public intervention to move the market towards a socially efficient outcome. This theory should be brought out more strongly to support the use of Structural Funds, in terms of the added value generated through intervention. This is particularly important in light of this being the last substantial round of European Structural Funds in Wales. This should highlight the importance and relevance of co-financing national policies in terms of leverage effects, effects on systems and structures, feasibility and side effects.

Priorities and Themes

3.26. This section examines the Themes contained in each of the Priorities of the ESF Convergence Programme in turn. The rationale for including each Theme is examined and recommendations are made where this can be strengthened.

3.27. The appraisal below was carried out before the new Priority 1 was introduced. As outlined above, the inclusion of the new Priority 1 is consistent with the evidence presented in the Analysis and is consistent with the overall rationale of the programme. Data in the Analysis highlights that the attainment of pupils in the final year of compulsory education in WWV is below the UK and Wales average, and that further progress is needed to raise educational attainment in WWV. The Analysis also identifies the relatively high proportion of children living in workless families and the increasing trend of young men not in employment, education or training (NEET). This Priority

highlights the need to target these at-risk groups to prevent future generations of inactivity and disengagement with the labour market.

Priority 2: Increasing employment and tackling economic inactivity

3.28. This Priority is focused on increasing employment and promoting social inclusion by developing coordinated action to overcome barriers and disincentives to work, and by reducing the risk of people moving from work into unemployment and long-term economic inactivity.

3.29. As detailed within the Analysis, relative lower employment rates, and higher rates of economic inactivity are key (interlinked) explanations for the relative poor performance of the WWV economy (as shown by relative GDP per head). Addressing these challenges is therefore a valid aim.

3.30. There are two Themes identified within this Priority, each of which will be discussed in turn.

Theme 1: Helping people into sustainable employment

3.31. Given the relatively high levels of inactivity highlighted in the Analysis, helping people into employment is a justifiable aim. The broadness of the Theme has the potential to address a range of issues faced by those currently not in employment, including the removal of barriers to employment and overcoming disincentives to work. The supporting text within this Theme identifies that a number of factors contribute to inactivity and highlights the need for a range of active labour market measures and other actions to overcome the barriers faced by a range of disadvantaged groups and those not in employment. This is supported by the Analysis.

3.32. However, the Analysis and Strategy do not distinguish between the different forms of unemployment (e.g. youth unemployment, long term unemployment, transitional unemployment) and if intervention is aimed at tackling this, it is important that these are identified in the Analysis and addressed in the strategy. Furthermore, the issues faced by those who are economically inactive are also different from those who are unemployed, given

their distance from the labour market, and this needs to be examined explicitly in the Analysis and Strategy.

Theme 2: Helping people to remain at work

3.33. In the interest of enhancing the economic prosperity of WWV, ensuring high participation in the labour market is important and supported by the Analysis. However, the Analysis does not focus on the type and duration of employment in WWV and it is therefore difficult to conclude that high drop-out rates are a specific problem in WWV. It is therefore advised that further research is undertaken to support this Theme, focusing on an analysis of whether drop-out rates are a specific problem in Wales.

Priority 3: Raising skills level and improving the adaptability of the workforce

3.34. The focus of this Priority is on modernising the Welsh economy through development of the skills and adaptability of enterprises and workers and entrants to the labour market. Increasing the skills levels is associated with increased rates of economic activity and improvements in productivity. Theme 1 is focused on improving the employability of individuals whereas Theme 2 is focused on increasing skills for the economy with Theme 3 addressing gender equality.

Theme 1: Raising the skills base of the workforce and supporting progression in employment

3.35. The Analysis identifies that the relative labour market position of low-skilled workers has worsened across the developed world. Where a high proportion of the workforce are relatively low-skilled, relative demand is lower and their labour market prospect are worse. WWV has a greater proportion of low-skilled workers than either the UK or the Welsh average. The distribution of low skills closely mirrors that of inactivity, suggesting there is a strong skills related cause of inactivity. In raising the economic prospects of WWV, raising the skills base of the workforce is a valid Theme within the ESF Programme

Theme 2: Improving systems of workforce development and addressing skills gaps and shortages, and promoting the adaptability of enterprise and workers.

3.36. The weak skills profile of the workforce in WWV is identified in the Analysis. WWV is under-represented by those with NVQ4+ and over-represented by those without qualifications. This skills profile suggests (but it is not explicitly detailed in the Analysis) that businesses wishing to develop into higher value-adding activities may be constrained by the availability of employees with appropriate skills. Enhancing workforce development would aid in improving the skills issue in WWV and enable economic development.

3.37. The Analysis shows that WWV has only a marginally lower proportion of the working age population participating in lifelong learning than Wales as a whole. However, the continued skills gap noted by employers in Wales would suggests that there is a need to improve the supply of skills development to better match the demand for skills in the economy. The main skills identified are generic soft skills such as problem solving, team working and communication. Promoting the adaptability of both enterprises and workers and improving the systems of workforce development would aim to address this.

3.38. There is no evidence in the Analysis of a skills shortage that would act to constrain specific sectors or businesses. This would need to be developed in order to strengthen this Theme.

Theme 3: Promoting gender equality in employment

3.39. Promoting gender equality forms an important element of promoting equal opportunities, which is a Cross Cutting Theme of the Programme. However, there is not a great deal of evidence in the Analysis pointing to gender inequality amongst those in employment in terms of pay profile, employment rates, or sectoral concentration.

3.40. It is unclear what this Theme is aimed at addressing. If the Theme is focused on increasing female participation in the labour market, then it is already covered in Theme 1 above and a further case would need to be made

to explain why this is different from 1. If the Theme is focused on helping women progress in the workplace and enter specific sectors within the labour market then this will need to be made more explicit.

Priority 4: Making the Connections – Modernising and improving the quality of our public services

3.41. The focus of this Priority is to ensure that the public services in WWV (and Wales) are more accessible, coherent, effective, efficient and more responsive to the needs of individuals, businesses and communities. This Priority will only absorb a small proportion of the funding available to WWV. The Themes under this Priority are discussed below.

Theme 1: Transforming service delivery through more collaborative working

3.42. The Analysis identifies the many interrelated issues that contribute to higher incidences of economic inactivity in WWV. Given the number of organisations and activities focused on addressing these issues (e.g. education providers, training providers, voluntary organisations, benefit agencies), there is a rationale for examining ways in which services are delivered.

Theme 2: Building capacity of public service sector to deliver higher quality services

3.43. In addressing the issues faced in WWV, there is a rationale for improving the capacity of the public sector to deliver higher quality services. The Analysis shows that whilst progress has been made in WWV in addressing many of the issues faced in the area, there remains a clear need for public sector intervention and it follows that improvements in the quality of public services would benefit WWV. However, whether this is a specific issue to be addressed by the Programme is unclear. Increasing public sector efficiency may be too general an issue to include in the Programme.

Concentration of resources

3.44. The Consultation Document sets out in a table the broad thinking on funding for each Priority in relation to current spending. The intention is to increase spending on Priority 2 ESF (now Priority 3: skills and adaptability) somewhat. Spending on Priority 1 ESF (now Priority 2: employment and tackling economic inactivity) will be reduced somewhat.

3.45. The wording in the table suggests that the changes are small. If a need has been identified to reprioritise spending, the expectation would be for more than just marginal adjustments.

3.46. There is little indication of what drives these changes. Some of it seems to be driven by a stronger emphasis on the Lisbon priorities (for example increases for Priority 2 ESF) while others might reflect changing socio-economic circumstances.

3.47. Although it is mentioned in passing that the Programme is in line with Lisbon priorities, this could be spelled out more explicitly.

Alternative policy mix

3.48. One objective of the Ex Ante Evaluation is to consider whether there is an alternative mix of policies that could achieve the objectives of the Programme. At the broadest level, this implies a consideration of whether the key strategic challenges of the Programme are best addressed by the proposed Priorities.

3.49. The key strategic challenges arise from the current gap between WWV and the rest of the Wales and the UK in terms of GVA per head, which is mostly explained by lower value-added per job and high levels of economic inactivity. The Priorities detailed above are clearly aimed at targeting both skills and economic inactivity, which meet the strategic challenges.

3.50. The main focus of the Priorities originally was on the working age population. It may be argued that in order to tackle and overcome the barriers to economic activity, intervention is required to prevent people from falling into the a cycle of low skills and inactivity. In particularly, this might entail addressing the cause behind the recent increases in young people NEET, the low level of attainment by school leavers, the relatively high proportion of children in non-working families and the effect that poor health is having on

economic activity. This has now been addressed by the introduction of the new Priority 1.

3.51. Overall, there is a good balance between preventative approaches (for example aiming to sustain employment through improvements in employability) and curative approaches. However, adding in more emphasis on early intervention has further strengthened this balance.

3.52. There may also be a case for examining the role of migration in the WWV and looking at means of attracting and retaining in-migration of higher skilled individuals. This does not currently form part of the Programme Priorities.

3.53. In terms of appropriateness of policy mix, it is recognised that not all activities can be undertaken within the Programme. However, it may be valuable that the strategy comments on what is achievable within the Programme and how the Programme will add value over and above regional/national interventions.

3.54. In terms of trade-offs, DTZ do not believe that there are substantial negative trade-offs between the priorities identified. This view is based on the extent of complementarity between the priorities and the lack of evidence to suggest that the pursuit of these priorities would have a negative effect on society, either now or in the future. However, in a broader sense there may be trade–offs depending on the choice of intervention. That is to say, that by selecting a particular path of policy, the Programme forgoes the opportunity to intervene in a different way. In addressing the possible issue of trade-off within this context, there may be scope to explain why one form of intervention is chosen against a possible alternative.

Validity of the theory

3.55. As identified above, for the most part the Priorities and Themes of the strategy map to the Analysis. However, there needs to be a structured argument that leads from the evidence base, presents the theory behind

intervention and clearly links to the Priorities. In addition, the strategy would be strengthened if the priorities and the Themes differentiated more clearly between helping individuals (i.e. by increasing employability) and assisting the economy (i.e. matching skills development with the needs of the economy).

The case for and against public intervention

3.56. As highlighted in the Commission's Draft Working Paper (European Commission draft Working Paper on Ex Ante Evaluation, October 2005) there is an underlying "belief that markets are generally the most effective and efficient means of achieving economic and social objectives" (p.9) Public intervention is therefore justified only where the market is not working properly and the intervention in question does not create economic distortion. Four situations can be identified where public intervention in a market economy could be justified:

- The provision of public goods which cannot be provided in the absence of public intervention;
- The introduction of corrective subsidies deigned to alter the price of goods and services where the market price does not adequately reflect their wider social benefits (i.e. the presence of externalities);
- The management of schemes targeted at changing behaviour through correcting a lack of knowledge or information asymmetries (summarised as imperfect information); and
- Redistribution of income through subsidies or welfare benefits in pursuit of broadly social aims.

3.57. Throughout the Programme Priorities, there are two main arguments for intervention. One is based on the equity argument with Priorities aimed at increasing the welfare of individuals through enhancing their employability and the second is based on positive externalities gained from a more productive workforce, whose skills are better matched to the needs of businesses.

3.58. Notwithstanding the above generic rationale, DTZ has assessed each of the Themes within the three Programme Priorities against the four causes of market failure above. Overall, all the Priorities are clearly linked to identifiable market failures. Table A1 illustrating the various economic rational for interventions can be found in the relevant section of Annex D.

Policy risk

3.59. The Commission noted that the Analysis should cover the policy risk involved in the choice of Priorities (European Commission Draft Working Paper on Ex Ante Evaluation, October 2005, p. 9). Arising from a concern that Structural Funds interventions were becoming increasingly risk-averse, this aims to explore the balance between more standard interventions which are 'easier' to implement and those which are inherently more risky but might have a bigger impact. In this context, risk is interpreted as the risk of delivering the outcomes, i.e. whether the intervention works. The impact of the policy are the outcomes if the policy delivers, i.e. the outcomes, if the policy has worked on the overarching objectives of the Convergence Programme in terms of jobs and growth. As an example, finding the cure for cancer has high policy risk (as the research only has a small likelihood of succeeding) but a very high impact if successful.

3.60. The strategy chapter does not provide enough detail on activities to make a comprehensive assessment of policy risk possible. Within each Priority it would be possible to support activities with varying degrees of risk and innovation.

3.61. Table A2 in Annex D contains a headline risk assessment of each Priority and Theme. This indicates the potential scale of policy risk alongside potential impacts of the associated intervention.

3.62. Overall, the Programme contains a range of traditional interventions that have been tried and tested in the past. This is particularly true of Priority 2. However, the potential impact of interventions will depend on the specific action undertaken in each Theme and the success of these in addressing the

specific barriers faced by individuals. Intervention aimed at increasing the level of cooperation and collaboration and establishing shared systems in the public sector is inherently more risky as experience has shown that it can take considerable time and financial resource (see for example the optimism bias for IT projects, the most important shared service area, suggested by HM Treasury as part of the Green Book guidance).

3.63. There may be scope to review whether there is value in implementing somewhat riskier interventions, if higher pay-off can be achieved. At present, the policy mix is relative low risk, and given that these are aimed at addressing long-standing issues in WWV, it may be worth considering whether there are areas where more innovative policies could be included in the policy mix.

Internal consistency

Introduction to internal consistency section

3.64. The task of the evaluator as set out in the specification for an ex-ante evaluation is to determine:

- The contribution of each Priority to the Programme objectives;
- How the combination of policy priorities will contribute to achieving these objectives;
- The extent to which financial resources are likely to be sufficient;
- Any conflict between Priorities; and
- If an alternative 'policy mix' might be more likely to achieve the Programme's objectives.

3.65. The Programme strategy objectives and Priorities are one and the same. There is therefore no requirement for assessment in respect of the contribution and combination of Priorities to achieve Programme objectives.

3.66. A discussion of the broad financial allocations for each part of the strategy has been provided above.

Conflict between Priorities

3.67. DTZ has not identified any notable conflict between Priorities. The Programme is focused on targeting three identified problems that exist in WWV, namely the need to increase economic activity and employment, the need to increase the skills base of the workforce and thirdly to deliver public services more effectively. These Priorities demonstrate a coordinated approach to tackling the issues faced in WWV.

3.68. The two key areas, which WEFO may wish to consider, are:

- The extent to which any interventions might fall under more than one Priority/Theme, e.g. interventions aimed at raising skills of different groups; and
- The fit of Priority 4 in the Programme, and in particular the appropriateness of building the capacity of public service sector to deliver higher quality services should be considered. This appears to be more focused on a national issue of public service efficiency rather than specific action required in WWV.

Summary and recommendations – Internal consistency

3.69. The Programme Priorities have a high degree of internal consistency, with few conflicts between Priorities.

3.70. The majority of interventions are well established and tried and tested in previous programmes, which reduces policy risk. There may be scope to consider whether the mix of risk and impact is appropriate and whether thee is scope to include more risky policies with higher levels of potential impact.

Revisions to the strategy

3.71. A number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission

in mid-December 2006. The revisions as they affect our appraisal of the Programme strategy are discussed below.

3.72. In line with the 'new' Priority 1 Supplying young people with the skills needed for employment, the strategy builds on the information in the Analysis regarding lower skills and rising NEET levels among young people in WWV and the revised OP contains additional text in this regard. Further, the strategy has been further extended to include text on the importance of delivering effective public services. This again appropriately draws on information in the Analysis, strengthening the link between weaknesses and issues identified in the Analysis and objectives outlined in the strategy.

3.73. Other than minor changes to indicative activities under several of the Themes, there are no significant changes in the Priority Axes section, and none that substantively change comments made previously. Some examples of changes are noted here:

- The inclusion of activities aimed at delivering targeted interventions to support school-based and community focused interventions to improve learning outcomes of the most disadvantaged young people and those at risk of underachieving in Theme 1 of Priority 1; and

- The inclusion of provision of specialist support for disadvantaged groups, including young offenders, Black and Ethnic Minorities, people recently made redundant or under notice of redundancy and those classed as NEET in Theme 1 of Priority 2.

4. APPRAISAL OF CONSISTENCY WITH REGIONAL AND NATIONAL POLICIES AND COMMUNITY STRATEGIC GUIDELINES

Chapter overview

4.1. This section provides an assessment of coherence and fit between the Programme strategy and a broad range of external documentation including:

- EU/EC strategy and policy;
- UK National policy;
- Welsh Regional policy; and
- Other Structural Funds Programmes in Wales.

4.2. Further, related to the consideration of external consistency is the evaluation of the extent to which the Programme contributes towards Community added value.

Consistency with European policy and the Community Strategic Guidelines

4.3. DTZ has appraised the consistency of the ESF Convergence Programme strategy with the key European policies and strategies. These are:

- Structural Funds Regulations for 2007 – 2013;
- Cohesion policy in support of growth and jobs: Community Strategic Guidelines 2007 – 2013;
- The Third Report on Economic and Social Cohesion;
- The Lisbon Strategy;
- Equal Opportunities;
- The Gothenburg Agenda / Environmental Sustainability; and
- Annex 2 of the Draft Working Paper on Ex Ante Evaluation.

Structural Funds Regulations for 2007 – 2013

4.4. Article 3 of the Regulations relates to ESF programming. It states that efforts should be focused on modernising and diversifying regional and local economies through a number of Priorities.

4.5. Areas of consistency between the regulations and the Programme include:

- Increasing the adaptability of workers, enterprises and entrepreneurs, particularly by:
    - Lifelong learning, increased investment in human capital by enterprises, development of apprenticeships, improved access to training by low-skilled and older workers, dissemination of ICT; and
    - Better health at work and better identification of occupational and skills needs in the workplace.
- Enhancing access to employment and sustainable inclusion in the labour market of job seekers and inactive people, preventing unemployment, in particular long term and youth unemployment, encouraging longer working lives and increasing participation in the labour market, in particular by promoting:
    - Facilitated access to child and dependant care;
    - Increasing the participation of women in the workplace and reducing gender based segregation in the labour market; and
    - Addressing the root causes of the gender pay gap.
- Reinforcing the social inclusion of disadvantaged people with a view to their sustainable integration in employment and combating all forms of discrimination in the labour market, in particular:

  - Re-entry into employment for people experiencing social exclusion, early school leavers, minorities, people with disabilities and child and dependant carers;
  - Promoting acceptance of diversity in the workplace and combating discrimination; and
  - Promoting partnerships, pacts and networking between stakeholders

- Developing the supply side and demand side of ICT (for both SMEs and individuals/households);
- Developing human potential in research and innovation, notably through post graduate studies;
- Dissemination of eco-friendly technologies, promotion of entrepreneurship and innovation and business start-ups;
- Local-level initiatives, supporting community development;
- Mitigating environmental problems, regenerating brownfield and derelict land;
- Support for tourism and the promotion of the region's natural assets in a sustainable manner;
- Transport investments;
- Energy investments; and
- Investment in social infrastructure.

4.6. Overall, the Programme covers most of the key Themes contained in the Regulations. It is also clear that the objective of modernising labour market institutions can be picked up within the Programme without having an explicit Theme to cover them. While there are some Themes not picked up (although it should be noted that some of these – e.g. transport investments – will be picked up in the ERDF Convergence Programme), in the view of the evaluators this represents a useful focusing of the Programme in line with

Structural Fund regulations for the new programming period which require targeting at the most important needs in order to bring about significant effects. A large range of Priorities and additional Themes would distract from this focus.

4.7. Annex 2 of the Commission's *Draft Working Paper on Ex Ante Evaluation* requires an assessment of whether principles of partnership, gender equality and mainstreaming, transnational co-operation and innovative actions outlined in the ESF draft regulation are met. All of these principles are met in the current programme with the exception of partnership, where more detail is required in the Implementation chapter of the OP.

Cohesion policy in support of growth and jobs: Community Strategic Guidelines 2007 – 2013

4.8. The Community Strategic Guidelines contain the principles and priorities of cohesion policy. The UK used the guidelines as the basis for drafting the National Strategic Reference Framework (NSRF), which is discussed in section 4.35 of the present report.

4.9. According to the guidelines and in line with the renewed Lisbon strategy, programmes co-financed through the cohesion policy should seek to target resources on the following three objectives:

- Improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;

- Encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies; and

- Creating more and better jobs by attracting more people into employment, entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

4.10. Whilst it is clear that the first objective is more appropriately tackled through ERDF interventions, ESF Priority 4 seeks to improve the quality of public services through more effective collaborative working and increase the capacity of public services to deliver higher quality services. Achieving the aims of this Priority should thus contribute to the first objective.

4.11. The second objective above addresses the development and encouragement of innovation and the development of research capabilities. Whilst it is clear that support for this objective is part of the ERDF Convergence Programme, as is illustrated above, the ESF Programme also favours support for the knowledge economy and helping workers and enterprises to adapt to new technologies.

4.12. The third objective includes a focus on improving the adaptability of the workforce. In this regard, ESF Priority 3 is closely aligned with this objective in that it aims to improve the skill levels of the workforce and address skills gaps and shortages and the adaptability of both enterprises and workers.

The Third Report on Economic and Social Cohesion

4.13. The objectives identified for Member States in the third report on economic and social cohesion are:

- Strengthening competitiveness and employment creation;
- Social cohesion and the risk of poverty;
- The ageing of the population and increasing dependence rates;
- Narrowing disparities in regional competitive factors;
- Improving infrastructure endowment;
- Strengthening human capital;
- Strengthening social cohesion;
- Continuing disparities in innovative capacity;

- Ensuring access to basic services;
- Narrowing regional disparities in income;
- Supporting foreign direct investment (FDI);
- Building the knowledge economy;
- Strengthening education and training;
- More and better jobs in an inclusive society; and
- Environmental protection for sustainable growth and jobs.

4.14. It is clear that the Programme strategy priorities map very closely onto many of these Cohesion objectives. In particular, the Programme aims to increase employment creation and social cohesion, reduce the risk of poverty, improve the prospects for those who care for dependants and encourage people to remain in work longer. It will address regional income disparities by improving the skills of individuals and therefore their access to higher paid jobs. The Programme will also strengthen education and training provision.

4.15. The ERDF Convergence Programme covers all of the remaining cohesion policy objectives outlined above.

The Lisbon Strategy

4.16. Lisbon aims are summarised under three headings:

- Making Europe a more attractive place to invest in and work;
- Knowledge and innovation for growth; and
- Creating more and better jobs.

4.17. Clearly, the Programme Priorities of increasing employment and tackling economic inactivity and improving the skills level and adaptability of the workforce map directly on to the Lisbon aim of creating more and better jobs.

Within the Lisbon aim of creating more and better jobs, there are a number of sub-headings, where there is also considerable overlap with the Programme. These are:

- Attract more people into employment and modernise social protection systems;
- Improve the adaptability of workers and enterprises and the flexibility of labour markets;
- Invest more in human capital through better education and skills, in particular to:
    - Increase efforts to boost the level of employment;
    - Help people into work and provide incentives for them to stay there;
    - Discourage people from leaving the workforce too early;
    - Equip young people with the skills needed throughout their lives;
    - Improve the adaptability of the workforce and of businesses;
    - Support legal migrants;
    - More and better investments in education and training;
    - Develop national lifelong learning strategies.
    - Knowledge and innovation for growth; and
    - Creating more and better jobs.

4.18. Across Priorities, there is strong overlap between the Programme and Lisbon strategy aims. The Programme seeks to support the development of ICT, innovation and entrepreneurial skills and high-level qualifications, which will support the Lisbon aim of knowledge and innovation for growth.

4.19. Under the Lisbon Strategy headings outlined above, there is one key Theme that is not covered within the Themes of the Programme, that of

making Europe a more attractive place to invest in and work. This is intended to address inequities in European markets and regulations and to expand and improve EU infrastructure. Clearly, these major, trans-national structural changes are not appropriate Themes to include in the Programme. In-migration in WWV would be an appropriate issue to address in the Programme, however, it is not explicitly discussed.

4.20. The new round of Structural Funds should focus on how they can deliver growth and jobs at a local level, in line with the Lisbon strategy. The Priorities and Themes outlined in the Programme are appropriately focused to achieve these objectives.

Equal Opportunities

4.21. Gender equality, especially in relation to the workplace, has been a feature of European policy since the Treaty of Rome. Over time, this issue has been broadened out to encompass Equal Opportunities for a range of groups. Equal opportunities have been an important feature of Structural Funds, with a special emphasis within ESF. Equal Opportunities was a Cross Cutting Theme (CCT) in the current Objective 1 Programme (2000 – 2006) and are proposed to be a CCT in the new round of funding.

4.22. The Equal Opportunities CCT is discussed within a separate chapter of the Consultation Document on CCTs. That chapter covers both the ERDF and the ESF Convergence Programmes and identifies the following objectives:

- Decrease the number of people who are inactive and support them into training and employment;
- Increase the number of women, BME and disabled people securing training and employment in higher paid and higher skilled sectors and self employment;
- Challenge gender role stereotyping by increasing the number of women and men moving into non-traditional areas of employment; and

- Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring systems and methods of feeding in improvements.

4.23. As would be expected, all of the Programme Themes impact upon one or (more usually) several of these Equal Opportunities objectives.

4.24. In terms of horizontal integration of Equal Opportunities, the Programme will need to ensure that there is pro-active promotion of Equal Opportunities objectives throughout the Programme.

The Gothenburg Agenda / Environmental Sustainability

4.25. The vision of the Gothenburg Agenda is that economic growth, social cohesion and sustainable development go hand in hand. Particular priorities include:

- Combating poverty and social exclusion;
- Dealing with the social and economic implications of an ageing society;
- Climate change;
- Health;
- Biodiversity; and
- Transport congestion.

4.26. There is strong consistency between the Gothenburg Agenda and the Programme in the areas of combating poverty and social exclusion.

4.27. Supporting those with carer responsibilities for dependants and encouraging and supporting people to remain in work longer are both covered in Themes of the Programme. This will have a positive impact upon the social and economic implications of an ageing society. The Programme will also impact on health.

4.28. The environmental sustainability of the Programme is discussed in the chapter on CCTs. Biodiversity (promotion of aquatic biodiversity and protection in new developments), Climate Change (in relation to a reduction in Greenhouse Gases and adapting to its impact) and Sustainable Transport are covered as headings. However, there is no explicit link between the Programme and environmental sustainability, for example in the area of skills development.

Annex 2 of the Draft Working Paper on Ex Ante Evaluation

4.29. In addition to assessing the fit of the Programme with relevant European guidelines, specific questions about the Programme are asked in Annex 2 of the Draft Working Paper on Ex Ante Evaluation. An assessment must be made with regard to the extent that the Programme will:

- Contribute to attracting and retaining more people in employment and modernisation of the social protection systems;
- Contribute to achieving full employment, improving quality and productivity at work and strengthening social and territorial cohesion;
- Promote a lifecycle approach to work;
- Ensure inclusive labour markets for jobseekers and disadvantaged people; and
- Improve matching of labour market needs;

4.30. Also, assessment must be made of:

- The extent to which the Programme will contribute to improve adaptability of workers and enterprises and the flexibility of the labour market;
- The extent to which the Programme will promote flexibility combined with employment security and reduce labour market segmentation;
- What policies are foreseen to ensure employment-friendly wages and other labour cost development;

- The extent to which the Programme will increase investment in human capital through better education and skills;

- The extent to which the Programme will expand and improve investment in human capital; and

- The extent to which the Programme will adapt education and training systems to respond to new competence requirements.

4.31. The Programme is designed to contribute to attracting and retaining more people in employment. Priority 1 relates to increasing employment and Priority 2 supports people to stay in employment. Within these Priorities, the different needs of the different groups of workers (young school leavers to those looking to retire or work more flexibly; those who are socially disadvantaged or excluded; and those who have child or dependant care responsibilities) are addressed.

4.32. The Programme will contribute greatly to improving the adaptability of workers. Priority 3 is focused solely on improving the skills level and adaptability of the workforce and thus enhancing human capital.

4.33. Modernisation of social protection systems is not covered by the Programme. However, as this is a UK and not a devolved responsibility, this is appropriate.

4.34. Annex 2 of the Commission's draft Working Paper on the ex ante evaluation (European Commission draft Working Paper on Ex Ante Evaluation, October 2005) requires an assessment of the contribution of the Programme to social inclusion objectives. This is delivered through national plans and is assessed under consistency with UK policies in the next section.

Consistency with UK policy and strategy

National Strategic Reference Framework

4.35. The National Strategic Reference Framework sets out the priorities for the Structural Fund programmes across the UK. The strategy for the Programme broadly mirrors the priorities detailed in the NSRF.

4.36. The priorities which could be included in the Programme to increase compatibility include:

- Tackling barriers to participation in the labour market by providing incentives; and
- Promoting work-life balance.

UK National Reform Plan

4.37. The key document relating the Lisbon strategy to the UK policy level is the UK National Reform Plan (Lisbon Strategy for Jobs and Growth - The UK National Reform Plan, HM Treasury, October 2005). The Reform Plan is an EU-wide initiative which replaces the National Employment Action Plans, which tended to only focus on priorities with direct relevance to ESF-related Priorities. The 2005 UK National Reform Plan focuses on three broader objectives:

- Macroeconomic stability for jobs and growth;
- Increasing employment opportunities for all; and
- Promoting productivity growth.

4.38. The first objective mainly covers policies for which the policy levers are held by the UK government such as fiscal policy and thus there is no direct applicability to the Programme.

4.39. The second objective covers issues of relevance to the Programme:

- Improving the supply of affordable childcare;
- Extending the Pathways to Work pilot to help more Incapacity Benefit recipients into the labour market; and
- Completing the roll out of Jobcentre Plus offices, which combine the delivery of benefits and active labour market support.

4.40. The latter two relate to UK-wide initiatives. However the responsibility of improving the supply of affordable childcare rests with Local Authorities and could therefore be incorporated within the Programme as a direct action.

4.41. With regards to the UK National Reform Plan focus of promoting productive growth, there is clear consistency between the Programme Priority 3 of Improving the skills level and adaptability of the workforce and the following objectives of the Reform Plan:

- Raising the skills level of the workforce by increasing participation in education at age 17;
- Increasing participation in higher education for those aged 18-30; and
- Ensuring that adults improve basic skills and reducing the number of adults without a NVQ Level 2 qualification.

4.42. The European Commission draft Working Paper on Ex Ante Evaluation (October 2005) requires an assessment of whether there are sufficient financial allocations to deliver the objectives of the National Action Plan (now the National Reform Plan). In the proposed new ESF Programme, there is sufficient financial allocation for Priority 3.

The UK National Report on Strategies for Social Protection and Social Inclusion

4.43. The UK National Report on Strategies for Social Protection and Social Inclusion[2] for the period 2006-2008 sets out UK wide actions sets out a number of key challenges for social inclusion across the UK, namely:

- The economic situation, in particular inequalities;
- Child poverty;
- Access to employment;
- Access to quality services; and
- Discrimination.

4.44. The key policy objectives identified are:

- Eliminating child poverty through ensuring financial security and child support as well as childcare and early intervention;
- Increasing labour market participation through measures set out in the UK National Reform Programme (Lisbon Strategy for Jobs and Growth - The UK National Reform Plan, HM Treasury, October 2005);
- Improving access to quality services across a wide range of services;
- Tackling discrimination, specifically focused on disability and Black and Minority Ethnic groups; and
- Better governance in the field of social inclusion through the preparation of the National Action Plan and monitoring of outcomes.

4.45. The broad objectives embodied in the National Report are clearly consistent with the ESF Convergence Programme. Some of the interventions are UK level interventions (child poverty through the tax/benefit system and

[2] http://ec.europa.eu/employment_social/social_inclusion/naps_en.htm

the National Action Plan) while others are included in the Programme as shown in Table 4.1 below:

4.46. Table 4.1 National Report and Convergence Objectives

National Report objective	**Corresponding Priority in the ESF Convergence Programme**
Increasing labour market participation	ESF Priority 1
Improving access to Quality Services	ESF Priority 3
Tackling discrimination	Equal Opportunities CCT

Consistency with Welsh policy and strategy

4.47. DTZ has appraised the consistency of the Programme strategy with a broad range of Welsh policy and strategy documents. Five key documents were identified explicitly within the specification for the Ex Ante Evaluation. These are discussed individually below. A further 12 documents have also been reviewed. Summary comment in respect of these is included.

Wales: A Vibrant Economy

4.48. Wales: A Vibrant Economy (W:AVE) is the Welsh Assembly Government's strategic framework for economic development. The Consultation Document was published in November 2005. W:AVE will supersede A Winning Wales upon formal release. W:AVE has been developed within the context of Wales – A Better Country (see below).

4.49. W:AVE has been drafted to set the strategic framework for the European Structural Funds Programmes 2007 – 2013 and is closely aligned with the Lisbon Agenda, particularly delivering more and better jobs and a focus on knowledge and innovation. Sustainability is at the heart of W:AVE.

4.50. Key areas of consistency between W:AVE and the ESF Convergence Programme include:

- Helping individuals tackle barriers to participation in the world of work;
- Improving the skills base; and
- Delivering more demand-led training tailored to the needs of business.

Wales – A Better Country

4.51. Wales – A Better Country (WABC) sets the strategic agenda for the Welsh Assembly Government, and was published in September 2003. The remit of the document is wider than the Programme strategy and therefore consistency and coherence has been assessed with relevant areas of WABC only.

4.52. Education and training is at the core of Wales – A Better Country, with an explicit commitment to focus on the challenge of ensuring that everyone can benefit from learning throughout life and that no one lacks basic employment and life skills. There thus clearly is consistency between the broad aims of the Programme and WABC. Other key areas of consistency include:

- Increasing the take-up of lifelong learning;
- Ensuring more people are equipped for the modern labour market and so increase economic activity;
- Providing each learner with a learning pathway to give them skills, experience and opportunity needed for successful life and work;
- Providing a financial incentive for lifelong learning; and
- Ensuring that less well-off areas do not suffer from lower quality services.

4.53. Spatial targeting is identified within WABC. The Programme's spatial targeting is to be identified through the Wales Spatial Plan.

4.54. Equal Opportunities is a key element throughout WABC, again consistent with the Programme.

Skills and Employment Action Plan

4.55. The Skills and Employment Action Plan for Wales 2005 (SEAP) has direct relevance to the ESF Convergence Programme Priorities. There are four main strands to the Action Plan.

- Improving mechanisms for workforce development;
- Supplying new entrants to the labour market with the skills needed for employment;
- Working with employers and employees to improve skills; and
- Helping more people into sustained employment.

4.56. The Themes within these strands are similar to those of the Programme.

4.57. Priority 1 highlights the low skills as a considerable factor affecting economic inactivity. Tackling this is closely aligned with the SEAP strategy of

- Improving attainment of skills essential for employment, in particular basic skills and key skills;
- Making learning provision in schools, colleges and universities and the workplace still more attractive to learners and relevant to the world of work; and
- Increasing participation in learning.

4.58. The SEAP complements the part of the Programme strategy that focuses on helping people into sustained employment. The SEAP details actions to:

- Better co-ordinate interventions in Wales to reduce or remove the barriers to participation in work;

- Influence the UK Government's Welfare to Work agenda through the Wales Employment Advisory Panel and where possible enhance the New Deal in Wales;

- Develop sector based approaches and targeted support for those at a particular disadvantage in the labour market; and

- Improve information and guidance provided to individuals and employers.

4.59. The SEAP identifies a particular focus on taking a sector- and community-based approach to join up economically inactive people with hard to fill jobs. Examples of such activities include a pilot programme in Bridgend to provide jobs within the communities where investment occurs (e.g. an improved housing programme).

4.60. Priority 3, improving skills levels and improving the adaptability of the workforce closely complements the SEAP objective of improving the mechanism for workforce development.

4.61. The SEAP objective of working with employers and employees to improve skills is partially covered within the ERDF Convergence Programme Priority 1, which focuses on promoting economic growth through higher value-added products and services. This closely complements the SEAP objective of stimulating the demand for skills by encouraging businesses to pursue higher value-added products and services. However there are two SEAP objectives under this Theme that are not strongly covered by the Programme Themes, namely:

- Work with employers and trade unions to improve workforce skills and encourage diversity; and

- Ensure that suitable qualifications and learning provisions are available and well understood.

4.62. The inclusion of these two elements in the Programme Priorities would increase the consistency of the Programme with the SEAP.

Wales Spatial Plan

4.63. The Wales Spatial Plan, adopted in November 2004, sets a spatial framework to optimise the use of public and private resources. The Spatial Plan explicitly seeks to provide a framework for the implementation of EU Structural Funds 2007 – 2013. The broad objectives within the Spatial Plan have a good fit with the Programme strategy. As with other Welsh policy, the sustainable communities agenda is at its heart.

4.64. The core objectives of the Wales Spatial Plan are:

- Building Sustainable Communities;
- Promoting a Sustainable Economy;
- Valuing Our Environment; and
- Achieving Sustainable Accessibility.

4.65. The first two objectives have greater relevance to the ESF Convergence Programme Priorities than the latter two. The key area of consistency lies with the recognition that skills, education and learning are crucial in developing and sustaining communities and the economy. These are key Themes in the Programme Priorities. The following identifies key areas covered by the Wales Spatial Plan which are not covered in the ESF Convergence Programme Priorities:

- Ensure all areas have access to high quality schools;
- Support local community voluntary action and volunteering, fostering social capital and seeking to improve people's personal aspirations and expectations; and
- Attract and retain well-educated and skilled migrants, as well as attracting back young people born in Wales.

4.66. In addition, the Wales Spatial Plan places a strong emphasis in targeting children in their early years. It is unclear whether the ESF Convergence Programme also aims to focus on children in their early years or not.

Other Welsh strategies

4.67. DTZ has appraised consistency with the following additional Welsh strategy documents:

- A Winning Wales- National Economic Development Strategy;
- Wales Sustainable Development scheme;
- Iaith Pawb: A National Plan for a Bilingual Wales;
- The Learning Country;
- National Action Plan for Social Inclusion;
- Extending Entitlement;
- 14-19 Pathways;
- Reaching Higher- A Strategy for the Higher Education Sector in Wales;
- Nexus Report;
- Out Environment Our Future;
- Energy Wales Consultation Document;
- Waste Strategy; and
- Making The Connections.

4.68. In summary, DTZ has found a good fit between these strategy documents and the ESF Convergence Programme. Whilst the degree of

relevance varies across documents, there does not appear to be conflict or contradiction between the strategies and the Programme.

4.69. One area that is not covered by the Priorities is reference to the role of the Welsh language within community regeneration and development. However, as identified in the strategy Iaith Pawb, developing a sustainable economic base is important in creating sustainable communities, which strongly fits with the ESF Convergence Programme Priorities.

Consistency with other Structural Funds Programmes

ERDF Convergence Programme

4.70. There is strong complementarity between ERDF Convergence and ESF Convergence Priorities. It is entirely consistent both in that a highly skilled workforce is required to support a high-added value economy and, vice-versa, in that appropriate economic opportunity will need to be provided in order to retain highly skilled individuals.

4.71. There may be scope for WEFO to consider the possible mechanism of using ERDF Convergence Programme spend to stimulate employment and economic activity in the WWV and support the Priorities in the ESF Convergence Programme.

4.72. The key areas for complementarity between the ESF and ERDF Convergence Programmes are illustrated by Table A3 in the relevant section in Annex D relating to this part of Chapter 3.

Territorial Co-operation Programme

4.73. The Territorial Co-operation Programme sets out the planned interventions to encourage cross-border working between Ireland and Wales. In relation to cross-border co-operation, the Community Strategic Guidelines state that “the ultimate objective of cross-border cooperation in Europe is to integrate areas divided by national borders that face common problems requiring common solutions.” The Guidelines also stress the need to

concentrate the assistance on the main priorities in support of growth and job creation.

4.74. The Programme sets out which policy areas might be suitable for territorial cooperation, focusing on the following areas where there are real opportunities for cross-border working:

- R&D;
- Education; and
- Training.

4.75. More limited opportunities for co-operation with a focus on specific issues of common concern are identified in the following areas:

- Community development;
- Climate change; and
- Environmental awareness.

4.76. The Programme also identifies areas where, despite common challenges, the Programme can not add significant value to national-level interventions, namely:

- Infrastructure;
- Broadband provision and access;
- Social deprivation; and
- Inter-regional imbalances.

4.77. The OP is structured around two Priorities, each containing two Themes:

- Priority 1 – Knowledge, innovation and skills for growth

Theme 1 – Innovation and competitiveness

Theme 2 – Skills and competitiveness for employment integration

- Priority 2 - Climate change and sustainable regeneration

Theme 1 – Climate Change and environmental sustainability

Theme 2 – Sustainable regeneration of communities

4.78. The Programme highlights that areas of notable success in the last Programming period (2000-2006) was the collaboration of higher and further education colleges and the private sector in the management, monitoring and protection of natural resources in the Irish Sea with collaboration on subjects as diverse as habitat mapping, the monitoring and protection of endangered species, and the sustainable management of sea based aggregates.

4.79. The areas of intervention chosen in the Territorial Co-operation Programme are also covered in the Convergence Programmes. For example, there are direct overlaps between all ERDF Priorities and the Territorial Co-operation Programme, as well as Priority 3 of the ESF Programme. Table 4.2 below highlights where Themes of the Territorial Co-operation Programme most clearly overlap with Priorities in the ERDF or ESF Convergence Programmes.

4.80. Table 4.2 Overlap between Territorial Co-operation and Convergence Themes

Territorial Co-operation Theme	**Priorities in the Convergence Programmes**
Priority 1- Theme 1: Innovation and competitiveness	ERDF Priority 1
Priority 1- Theme 2: Skills and competitiveness for employment integration	ESF Priority 3

Priority 2 - Theme 1: Climate Change and Environmental Sustainability	ERDF Priority 2
Priority 2 - Theme 2: Sustainable Regeneration of Communities	ERDF Priority 3

ERDF and ESF Competitiveness Programmes for East Wales

4.81. The ESF Convergence Programme is fully consistent with the Priorities and Themes being developed for the Structural Fund interventions in East Wales under the ERDF and ESF Competitiveness Programmes. In the main the Competitiveness Programmes map closely onto the needs and priorities identified for WWV and should complement the interventions.

Rural Development Plan and Fisheries

4.82. It is critical that the Convergence Programmes complement the provisions of the Rural Development Plan (RDP) and the European Fisheries Fund in Wales. Whilst these Programme are still being finalised in Wales, some overarching comments can be made in this regard. It is imperative that funding provided for ESF interventions is not duplicated, and also that funding is allocated in a way that maximises value for money. For example, if workers are trained in particular agricultural skills, it is important that funding has not already been provided for this under the RDP Programme. On the other hand, where funding is provided to a particular sector or enterprise under the RDP Programme, skills funded under ESF should be complementary and identified to fill particular skills shortages.

Revisions to the strategy

4.83. A number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission in mid-December 2006. The revisions as they affect our appraisal of the Programme strategy are discussed below.

4.84. Although DTZ previously concluded that the Programme is largely consistent with EU and UK strategies and policies, the revised OP includes additional text that makes this consistency more explicit and discusses how the objectives and Priorities of the Programme fit with policies such as the Lisbon agenda, the UK National Reform Plan and the UK National Strategic Reference Framework, thus strengthening the OP in this regard.

4.85. Related to this issue of external consistency, the revised OP now also includes a number of paragraphs which outline the general principles for ensuring that the Welsh Assembly Government maximises the use of funds and as far as possible achieves value for money and avoids duplication.

4.86. These additions do not contradict comments made previously regarding the rationale of the strategy, or its internal or external consistency.

Summary and recommendations – External consistency

4.87. For the most part, the ESF Convergence Programme is consistent with policies and strategies at the European level. The Programme strategy is also largely consistent with UK policies and strategies and with the key Welsh Policies. DTZ has also found a high degree of fit between the ESF Convergence Programme strategy and other Structural Fund Programmes.

Community added value

4.88. Throughout the evaluation, the evaluators have considered to what extent the Programme provides Community added value. With respect to the Programme strategy, rationale and internal and external consistency chapter, the key consideration has been whether the OP indicates that the Programme can add value to Community priorities, as well as providing financial added value, in terms of additionality and leverage effects.

4.89. It is worth highlighting that the Programme specifically highlights the approach to Community added value, setting out clearly and comprehensively the different elements which will make up the Community added value of the Programme, drawing on lessons learned from previous Programmes.

4.90. The Programme strongly links to Community priorities, specifically highlighting the Lisbon agenda, and the interventions are designed to maximise Community added value with regard to Community priorities. The Lessons Learned paper has highlighted that it is crucial for Programme priorities to be strongly linked to regional and national priorities, as well as Community priorities, to provide most effect and this is clearly the case for the Programme. Furthermore, the Programme builds on good practice in relation to the integration of the Cross Cutting Themes, ensuring that these are built in from an early stage.

4.91. In terms of financial provision, it is clear that the ESF Convergence Programme will leverage in significant match funding from the Welsh public sector. The financial allocations show a range of co-financing rates across the different priorities, with varying levels of Structural Fund, Welsh public funding and private match funding contributions[3]. WEFO has indicated that these different rates arise from a careful analysis of rates which are potentially achievable, aiming for a high level of match funding while at the same time being realistic and minimising risk, especially in view of the scale of match funding required. WEFO will add further text to the OP to clarify how the

[3] The exception being TA which is matched on a one-for-one basis.

match funding rates have been derived. At present, the level of envisaged private sector match funding has not been detailed in the OP. WEFO has advised that additional text will be added to the financial provisions chapter detailing the rationale behind the structure of funding for ESF Convergence, whereby the level of match funding has been carefully considered in line with consultation with various partners.

4.92. The OP also contains significant provisions to ensure additionality of funds through the identification of areas where Structural Funds can either: add to the overall level of intervention; bring interventions forward which would otherwise not have taken place at that point in time; or enhance the quality of intervention. While a full assessment of additionality will need to be made at later evaluation stages, the planned provisions are consistent with seeking high additionality and leverage and are thus designed to maximise Community added value.

5. APPRAISAL OF PROPOSED IMPLEMENTATION SYSTEMS, MONITORING AND INDICATORS/TARGETS

Implementation systems

Introduction

5.1. This chapter contains the appraisal of Programme implementation arrangements. It also reflects on how earlier comments made by DTZ on the monitoring and evaluation components of the Convergence Consultation Document have been addressed. It should be highlighted that the monitoring and evaluation elements of the Implementation Chapter were available to DTZ at an earlier stage than for other elements of the chapter and that this is reflected in an additional iteration of comments on monitoring and evaluation arrangements.

5.2. The full implementation chapter has only become available shortly before the report was finalised. Consequently, DTZ are unable to assess at this stage how far recommendations on implementation arrangements have been taken into account. However, WEFO have accepted and agreed to implement the vast majority of recommendations made.

5.3. The Commission's Draft Working Paper on Ex Ante Evaluations specifies that the following details in the OP need to be assessed:

- Designation of bodies and procedures for implementation;
- Monitoring and evaluation systems;
- Partnership arrangements;
- Publicity; and
- Procedures for the exchange of computerised data to meet payment, monitoring and evaluation requirements.

5.4. This chapter analyses risks and makes recommendations for preventative action, drawing on the lessons learned from previous evaluations (see Annex B). Broadly in line with the headings noted above, the Implementation Chapter of the OP is organised according to the following headings:

- Designation of Authorities;
- Partnership;
- Implementation;
- Payment Bodies;
- Procedure for Financial Flows;
- Computerised Exchange of Data;
- Monitoring and Evaluation; and
- Publicity and Information.

5.5. This assessment of the Implementation Chapter starts with some high-level recommendations. These are followed by detailed comments and recommendations on each of the sections of the Implementation Chapter. Further, as discussed throughout this evaluation, it is a requirement of the European Commission's Draft Working Paper on Ex Ante Evaluation that throughout Programme development and evaluation process there should be a concern to maximise Community added value. Added value is based on a range of criteria including the Structural Funds method of implementation. Therefore this chapter also includes a discussion of the potential for added value identified in the Lessons Learned paper and the provisions of the Implementation Chapter.

High-level recommendations

5.6. The Implementation Chapter sets out a high-level description of the proposed implementation arrangements. In setting out these arrangements, WEFO can draw from its experience of implementing the Programmes in the last round of funding. It is thus entirely appropriate that some of the provisions are kept relatively general. However, in areas where there is major change or where shortcomings were identified in the last round of funding, it would be useful if the document clearly identifies what the issues were and how the changes in this round of programming will address them. In particular, this should be explored in relation to the introduction of the new electronic Knowledge Management system and the creation of Strategic Frameworks.

Recommendation: The rationale for introducing changes such as the new electronic Knowledge Management system and the Strategic Frameworks should be explored in greater detail.

5.7. Setting up new systems is inherently more risky than continuing to use the previously tried and tested systems. The Implementation Chapter should explore risks associated with the introduction of new implementation arrangements, highlight risk mitigation or management measures and weigh up these risks against the benefits of the new arrangements.

Recommendation: The risks involved in the introduction of new implementation arrangements, as well as associated risk mitigation or management, should be considered alongside the benefits of any changes.

5.8. More generally, there is a need to explore all implementation risks alongside potential mitigation approaches.

Recommendation: A high level risk register should be included in the Implementation Chapter.

Designation of Authorities

5.9. The Implementation Chapter highlights that the different Authorities (Managing Authority and Certifying Authority) will be within WEFO but functionally separated, with different responsibilities and management arrangements. It would be useful to briefly set out why this separation is required and to discuss whether situating these Authorities in the same division (as opposed to, for example, the Internal Audit Service which is independent of WEFO) is compatible with the objectives of functional separation.

Recommendation: There should be an explanation of the underlying objectives and potential limitations of functional separation within WEFO.

5.10. Under the description of the functions of the Audit Authority it was recommended that there should also be discussion of the verification function of the IAS in checking whether an audit trail exists for all payments and whether all records are kept in accordance with audit principles.

Recommendation: The importance of IAS verifying the audit trail and ensuring compliant record keeping should be highlighted.

Partnership

5.11. In discussing selection of partners to implement the OP the aspiration is highlighted that participation of voluntary and community bodies will be encouraged. More indication of how this will be addressed would be useful.

Recommendation: More detail on how voluntary and community bodies will be encouraged to participate is required.

5.12. In the Implementation Chapter, a target of 40% representation of women on the Programme Monitoring Committee (PMC) is mentioned; this should perhaps be a 'minimum of 40%'. More indication of how this will be achieved would be useful: for example how women are going to be encouraged to take part. Are there any other groups that should have some representation such as black and ethnic minorities? Is private sector representation desirable?

Recommendation: More detail on how the PMC will be constituted is required.

5.13. The frequency of PMC meetings could be specified as a minimum requirement of two meetings per year.

5.14. Further, the PMC's role in setting project selection criteria is highlighted. Detail should be given on how this fits with the role of the Strategic Frameworks.

Recommendation: The interaction of the PMC with the Strategic Frameworks should be explored, for example in relation to project selection criteria.

5.15. An indication of what criteria will drive project selection would be useful.

Recommendation: More detail is required on what criteria will drive selection.

Implementation

5.16. There is an indication in the text that this section is still being revised. However, the ex ante evaluation can only comment on the detail presented at the time.

5.17. The third bullet point in the section on the principles for guiding development and implementation of the OP suggests that fewer projects will result in 'deeper interventions'. A brief explanation of this concept would be helpful.

Recommendation: Mainstreaming equality has to be highlighted alongside Lisbon and Gothenburg.

Recommendation: The term 'deeper interventions' needs to be explained.

5.18. A number of key documents are highlighted in the Implementation Chapter but only the Wales Spatial Plan is discussed subsequently. If the Wales Spatial Plan needs to be highlighted over and above what is already included in the Strategy Chapter then it should be made clear what the specific link to implementation will be (i.e. focusing and expanding on what is included in section 6.22 of the Implementation Chapter).

5.19. In the section of the Implementation Chapter which discusses the importance of the Wales Spatial Plan as a framework for policy choices and delivery, it is noted that the Plan 'will set the framework for choices both on policy priorities and for delivery'. This seems very general – does this apply to all priorities under all Programmes? Later in the same paragraph, three specific ERDF priorities are highlighted which seems to indicate a more limited application of the Wales Spatial Plan. Also, there is no specific reference to the ESF priorities.

Recommendation: The role of the Wales Spatial Plan in implementation needs to be refined and explained in more detail.

5.20. The Implementation Chapter gives some broad information on Strategic Frameworks. More detail on how Strategic Frameworks will operate would be helpful: for example outlining how many are expected, what kind of areas are likely to be covered, and so on.

Recommendation: More detail on Strategic Frameworks would be helpful.

5.21. In the section of the Implementation Chapter which gives detail on how payments to projects will be made, there is mention of the Managing Authority, the Payments Branch, the Programme Management Division and the Certifying Authority. A diagram might be helpful to illustrate the organisational structure.

5.22. In the section of the Implementation Chapter which covers the frequency of payments to projects, 'regular intervals' is mentioned. A more specific period (e.g. quarterly) could be specified.

5.23. Information is given in the Implementation Chapter on the electronic claims system, Programme and Project Information Management System (PPIMS). For clarity, the sentence starting with "This will ensure all fields …" could be split up and simplified.

5.24. Key features of PPIMS, such as its development, functions, objectives, and milestones, should be discussed in more detail in a stand-alone section (for example under a new section 'Knowledge Management' which also includes the provisions for computerised exchange of data).

Recommendation: A separate detailed section on PPIMS would be helpful.

5.25. Further, there is a provision to make payments to projects in advance. In general, a full payment in advance would be unusual and it might be worth exploring whether only a percentage of the total should be paid in advance. There is also a broad provision to pay organisations by 'need'. The text is not very clear on what this entails. In general, all payments should be linked to project delivery (or anticipated delivery in the case of advance payment), so it is difficult to see where 'need' comes into these payments.

Recommendation: The conditions for payment in advance or by 'need' have to be specified in more detail.

Monitoring and evaluation

5.26. Under the section of the Implementation Chapter, relating to projects' selection of indicators, more detail on what support will be provided to encourage monitoring by projects would be useful.

5.27. In addition to the functions of the Annual Implementation Report set out in the Implementation Chapter, the Annual Implementation Report should also be used to report annually on progress to a wide range of stakeholders in Wales, including the general public.

Recommendation: The role of regular monitoring and evaluation in reporting progress to the wider stakeholders in Wales would be helpful.

5.28. Where the Implementation Chapter refers to this Ex Ante Evaluation reference should be made to the independent and objective nature of the external evaluators (DTZ).

5.29. There is a general reference to the Monitoring and Evaluation Plan. A draft outline of this plan would be useful in assessing the proposed monitoring and evaluation arrangements.

Recommendation: A draft outline of the Monitoring and Evaluation Plan should be included in the OP.

5.30. In the section of the Implementation Chapter which relates to project-level monitoring and evaluation guidance, more details on what guidance will be supplied would be helpful.

5.31. An indication of what evaluation capacity building will take place would be useful as part of the section on 'Managing Monitoring and Evaluation'.

Recommendation: More detail on how evaluation capacity will be built up in this funding period would be helpful.

5.32. In addition to these specific comments, the next section of this appraisal also looks at the recommendations provided on 10 October 2006 by DTZ on proposed monitoring and evaluation arrangements, and in how far those recommendations have been implemented by WEFO in the latest draft OP.

Monitoring and evaluation – Implementation of previous recommendations

5.33. The overarching recommendation of introducing a monitoring and evaluation strategy (or evaluation plan) has been accepted by WEFO. On the whole, WEFO has accepted the recommendations relating to monitoring and evaluation but wants to retain a high degree of flexibility by specifying the details in the Monitoring and Evaluation Plan. The evaluators accept that WEFO is intending to include the required detail outwith the OP document itself.

5.34. Contained within the relevant section of Annex D relating to information for this section of Chapter 5 is Table A4 that outlines the recommendations made and an assessment of the actions taken by WEFO in response to these. Further, an earlier appraisal of the monitoring and evaluation arrangements that took place and led to the introduction of the Monitoring and Evaluation Plan can be found in the Annex D to this chapter.

Publicity and information

5.35. In this section relating to publicity and information in the Implementation Chapter, there seems to be scope for a more pro-active and positive role for communication activity in highlighting the added value Structural Funds have brought to Wales.

Revisions to the Implementation Chapter

5.36. A number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission in mid-December 2006. The revisions as they affect our appraisal of the Programme strategy are discussed below.

5.37. It is evident with regard to the various Authorities that more detail on functions and roles of each Authority is provided in the revised OP. For example, the importance of the Managing Authority in ensuring audit trails are adequate in line with the Implementing Regulation has been added.

5.38. It was recommended that more detail be included on the interaction of the PMC with Strategic Frameworks. In this regard the revised OP includes a paragraph explaining that Strategic Frameworks will be developed in partnership – enabling partners to input into the detailed implementation of the programme. The revised OP also details that the Strategic Framework coordinators will work with existing partnerships to develop the framework documents and monitor progress.

5.39. It was recommended that where the OP sets out the principles for implementation that mainstreaming equality should be mentioned alongside the Lisbon and Gothenburg agendas. It is noted that the OP now states that it should be implemented with an 'overarching commitment to mainstreaming gender equality and equal opportunities'.

5.40. WEFO has noted that under Audit Arrangements that they will look to directly commission an external firm(s) of auditors to undertake project audits for the 2007 – 2013 Programmes in order to ensure greater control and assurance and provide for a consistent approach across all projects and funds. Further, as recommended in the evaluation, reference has now been made to the independent nature of the evaluators, DTZ.

5.41. Text has also been added regarding state aid, noting the requirement that Structural Funds must comply with state aid rules. It is noted in the OP that when Strategic Frameworks are being developed there will be a thorough assessment of state aid issues at an early stage of development, reducing the risk of problems during implementation. Thus the implementation arrangements have been strengthened through the acknowledgement of this issue in the OP with steps to mitigate potential future problems and risks.

5.42. Further, it was noted throughout the evaluation where recommendations were made that WEFO had committed to implementing these and in several areas the implementation can be seen in the revised OP. For example, it was recommended that more information on the introduction of the PPIMS system be included in the OP. The revised OP now includes a separate section that provides more information on the introduction of the PPIMS.

Indicators and targets

Target setting

5.43. This section describes the target setting exercise for the Programme. Initially it was envisaged that the monitoring data from the 2000 – 2006 Objective 1 Programme in Wales could be used as a basis drawing benchmarks and formulating targets for the 2007 – 2013 ERDF and ESF Convergence Programmes, based on the costs of interventions and the funding available.

5.44. In this regard, a mapping exercise was undertaken by WEFO which correlated Objective 1 Priorities and Measures to Convergence Priorities and Themes. Within each Measure, indicators that were similar to Convergence indicators were chosen, and the data on past performance by each project, and the amount spent by each project was used to produce a cost per output, and a new target on this basis. However, it was concluded that due to the gaps in the mapping, and the fact that the mapping was not entirely consistent due to the fundamental changes evident between the Objective 1 Programme and Convergence Programme, another methodology for setting targets would be required. In addition to this, no benchmarking data was available on the average costs of interventions of the type envisaged for ESF in Wales.

5.45. In light of these issues, WEFO staff devised a methodology using statistical information to draw a contextual background for each target and devise the actual target based on the amount of funding available in each Priority and the estimated cost of intervention – for example the cost of programmes to assist raise skill levels. Through discussion with WEFO DTZ provided objective advice on WEFO's processes used to calculate each target, and made several recommendations to improve the robustness of the methodology. Finalised targets are currently being considered by WEFO.

5.46. The next steps therefore involve WEFO finalising the targets with advice from DTZ and through negotiations with the Commission.

Community added value

5.47. Throughout the evaluation, the evaluators have considered to what extent the Programme provides Community added value. With respect to implementation, the key consideration has been whether the Implementation Chapter takes into account Community added value arising from the method of implementing Structural Funds, namely partnership, multi-annual planning, monitoring and evaluation and sound financial management.

5.48. Overall, the chapter draws strongly on the lessons learned from previous rounds of Structural Fund implementation and appropriately highlights that Structural Funds can add value by the methods by which they are implemented. The OP sets out clearly what partnership provisions will be made in the Programme and sets out the Strategic Frameworks which have been introduced to address some of the difficulties (for example the large number of individual projects) encountered in the previous round.

5.49. The Lessons Learned exercise has clearly identified that the Structural Funds can add value by providing a multi-annual programming framework, as long as there is also a degree of flexibility to allow the programmes to evolve. The OP appropriately reflects both of these dimensions. The OP also clearly sets out financial management arrangements, building on the previous round of funding.

5.50. A particular strength of the Structural Funds are the provisions for monitoring and evaluation. The OP sets out a comprehensive approach to monitoring and evaluation which is thought through and will add significant value to the implementation of the Programme.

5.51. Overall, it is clear that the Programme implementation aims to maximise Community added value by appropriately highlighting the provisions in areas such as partnership, multi-annual programming and monitoring and evaluation.

6. ASSESSMENT OF CHANGES MADE IN RESPONSE TO COMMENTS

6.1. This chapter provides an overview of the changes made to the OP in respect of comments made by DTZ on the Consultation Document. The chapter discusses the recommendations as relating to the appraisal of the Labour Market Analysis; the rationale and internal consistency; external consistency; and implementation and monitoring and evaluation arrangements.

6.2. Due to the fact that most of the recommendations made by DTZ have been accepted and implemented, not every one is detailed in full, however where appropriate, examples of the changes made are provided for illustrative purposes.

Recommendations relating to appraisal of the Analysis

6.3. As discussed in Chapter 2, DTZ appraised a first draft of the Labour Market Analysis and made a number of recommendations. The vast majority of these recommendations were accepted by WEFO and subsequently implemented in the second draft. DTZ then appraised this second draft and made a smaller number of focused recommendations to further strengthen the Labour Market Analysis. Each of these recommendations were agreed with by WEFO except for:

- Include forecast information

6.4. It was felt in this case by WEFO that they would be better not to include forecast information as they had concerns over the reliability of such forecast data.

- Investigate further the statistic showing the low numbers of 25-34 year olds in Wales.

  WEFO declined to take this on board.

6.5. For the other recommendations that WEFO agreed, each was implemented following the second draft. These included:

- Include an additional comparison with EU(25) data;
- Provide absolute figures for numbers of people with no qualifications; and
- Link the SWOT analysis more closely with the Labour Market Analysis in relation to increased deprivation seen by BME individuals, the HE sector in Wales and the principal cause of economic inactivity in Wales.

Recommendations relating to rationale and internal consistency

6.6. Although DTZ concluded that the ESF Programme had a well-developed rationale that had a strong link with the key challenges facing West Wales and the Valleys, there were nevertheless a fair number of further recommendations and suggestions made to further strengthen the rationale (as detailed in Chapter 3). For the formulation of the OP, for the most part these were accepted by WEFO and implemented. Examples where either disagreement arose or WEFO declined to accept and/or implement recommendations, or recommendations were not specifically implemented for reasons given, are outlined below:

- There needs to be an explanation of why the strategic priority of in-migration identified in the Analysis will not be taken forward in the Programme.

6.7. This recommendation was agreed upon by WEFO, however specific actions to implement it were not taken due to the fact that it was being dealt with indirectly through the creation of an attractive living/working environment that it was felt by WEFO would encourage in-migration.

- The Programme should highlight how the delivery through Structural Funds will add value and the importance and relevance of the co-financing mechanism.

  WEFO agreed with this recommendation but did not action it in the OP, stating that it was implemented instead in the specific guidance relating to Strategy Frameworks.

- Assess the composition of the unemployed and inactive groups in WWV and consider differentiating between these in the Themes.

6.8. WEFO agreed with this recommendation and has undertaken to consider it further. However, there were no substantive changes in the arrangement of Priorities and Themes in this regard, with the previous Priority 1, which was aimed at tacking employment and inactivity becoming Priority 2 in the OP, with the same arrangement of Themes (minus Theme 3 Promoting gender equality in employment which was moved to the Improving skills levels Priority).

6.9. Under Priority 4 Making the Connections – Modernising and Improving the Quality of our Public Services the following two Themes applied in the Consultation Document:

- Theme 1: Transforming Delivery through more collaborative working.

- Theme 2: Building the capacity of public service sectors to deliver higher quality services.

6.10. It was recommended that WEFO consider the validity of splitting this Priority into the two Themes 1 and 2 on the basis that if the purpose of collaboration is to increase quality and effectiveness then capacity to deliver higher-quality services should be achieved within this. After consideration, WEFO decided to keep the two Themes.

Recommendations Relating to Consistency with other Strategies and Policies

6.11. In the main, it was concluded that the ESF Convergence Programme is largely consistent with Wales, UK and EU strategies and policies. Where recommendations were made, these were in large part implemented by WEFO. The only recommendation that WEFO did not agree with was:

- Consider whether lifelong learning can be promoted across all population groups.

6.12. All other recommendations made were stated by WEFO to be agreed with and implemented. With regard to strengthening the consistency of the Programme with overarching Welsh policies, one further recommendation was implemented in part:

- Consider whether the Programme should increase the focus of intervention to tackle/prevent future unemployment and inactivity, by specifically focusing on young children

6.13. WEFO partially agreed with this in that they decided to increase the focus of intervention on young people aged 14 – 19. This implementation can be seen in the formation of a new Priority in the OP Supplying young people with the Skills needed for Employment with the Themes:

- Theme 1: Tackling under achievement in schools.

- Theme 2: Integrating young people into the labour market.

6.14. This new Priority thus differentiates between people who are already of working age and may have been unemployed or inactive for long periods of time, and those people who are still on the path towards employment or are new to the labour market in order to intervene and attempt to prevent them moving into unemployment or inactivity as adults. It further improves consistency with Lisbon objectives by taking forward the strategy for growth and jobs by better focusing learning and training to the needs of employers and the economy.

Recommendations relating to implementation arrangements and monitoring and evaluation

6.15. As regards recommendations made in the first section in Chapter 5 on the implementation arrangements, timing has not enabled us to see whether changes have been made. However, WEFO has informed DTZ that they accept the recommendations made and have agreed to implement these.

6.16. The monitoring and evaluation arrangements discussion, which forms part of this section of Chapter 5 on implementation arrangements, reflects comments that were made following earlier drafts of the Consultation Programme. Following WEFO's agreement to formulate a Monitoring and Evaluation Plan, most of the earlier recommendations regarding the monitoring and evaluation arrangements will be addressed within this Plan.

6.17. Recommendations that have been accepted and that will be covered in the Plan (some of which refer to the 'Programmes' i.e. are relevant to both ESF and ERDF) include:

- Measuring soft outcomes requires consideration at an early stage and plans should be set out in greater detail.
- It should be clarified what programme-level evaluation activity is planned between the ex ante evaluation and the ex post evaluation.
- Roles and responsibilities of all bodies involved in monitoring and evaluation should be outlined.
- It should be set out where there are methodological knowledge gaps and where additional research will need to be carried out for effective monitoring and evaluation in the new programming period.
- Specific issues around the monitoring and evaluation of environmental sustainability should be explored in greater detail.

6.18. In addition to implementing recommendations through the Monitoring and Evaluation Plan, WEFO also updated the content of sections of the Consultation/OP documents in response to DTZ comments. For example, the following recommendations led to more detail being added to the Implementation Chapter:

- The function and role of monitoring and evaluation as part of continuous improvement of Programme delivery should be highlighted.

- The Programmes should set out what is meant by on-going evaluations and how it differs from current practice.

- More detail should be provided on plans for programme-level evaluation and how this will be integrated throughout Programme delivery.

- It should be explored how the Cross Cutting Themes will be evaluated at the programme level.

6.19. In this area of recommendations, the following was the only not to be accepted by WEFO:

- It needs to be made clear how the Programmes will impact on the tracking indicators.

6.20. In addition to the indicators and targets set under each Priority and Theme, WEFO had included in the Programme documentation (Strategy chapter) the high level tracking indicators as set out in *Wales: A Vibrant Economy.* Whilst acknowledging that performance against these indicators is dependent on other influences such as macroeconomic trends and global events, these have been included by WEFO in order that the broader trends in the economy are taken into account in any evaluation of the impact of the Convergence Programme in WWV. As noted above, although it was felt by DTZ that a more explicit link between the interventions of the Programme and the tracking indicators was required, WEFO declined to accept this recommendation on the basis that the tracking indicators were intended to be contextual in nature. Rather than risk overstating the effect the Convergence Programme has on these indicators, WEFO will use them mainly to track the economic progress of the Convergence area.

Changes relating to the Implementation chapter

6.21. A number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission in mid-December 2006. The revisions as they affect our appraisal of the Implementation Chapter are discussed below.

6.22. More detail on functions and roles of each Authority is now provided in the revised OP.

6.23. It was previously recommended by DTZ that more detail be included on the interaction of the PMC with the Strategic Frameworks. In this regard the revised OP includes a paragraph explaining that Strategic Frameworks will be developed in partnership – enabling partners to input into the detailed implementation of the Programme. The revised OP also details that the Strategic Framework coordinators will work with existing partnerships to develop the framework documents and monitor progress.

6.24. It was previously recommended by DTZ that where the OP sets out the principles for implementation, mainstreaming equality should be mentioned alongside the Lisbon and Gothenburg agendas. It is noted that the OP now states that it should be implemented with an 'overarching commitment to mainstreaming gender equality and equal opportunities'.

6.25. Further, in several areas where WEFO had previously committed to action recommendations the results can be seen in the revised OP. For example, it was recommended that more information on the introduction of the PPIMS system be included in the OP. The revised OP now includes a separate section which provides more information on the introduction of PPIMS.

7. CONCLUSIONS AND RECOMMENDATIONS

7.1. This chapter provides a summary of the main conclusions and summarises the extent to which the evaluation has achieved its objectives. In line with the key objectives required of the appraisal this chapter draws conclusions on the main areas appraised namely;

- The Labour Market Analysis of the WWV area;
- The extent to which the rationale of the ESF Convergence Programme and its strategy were targeted at addressing the issues that emerged from the Analysis;
- The extent to which the Priorities and Themes of the Programme were internally consistent and free from gaps or duplication;
- The extent to which the Programme was externally consistent with the objectives of policy and strategy at Welsh national, UK and EU level;
- The implementation arrangements for the Programme;
- The monitoring and evaluation strategy;
- The indicators and target set for the Programme;
- The extent to which the recommendations made by DTZ were implemented by WEFO, and how this affected the development of the OP; and
- A discussion of how the Programme seeks to maximise Community added value and incorporates the lessons learned from evaluations of previous Programmes.

Appraisal of the Labour Market Analysis

7.2. The Programme began with an analysis of the labour market environment in WWV with a view to identifying the key areas where the Programme's Priorities and Themes should be targeted. As stated in the Labour Market Analysis, the overarching aim of the ESF is to strengthen economic and social cohesion by improving employment opportunities. The extent to which the Programme achieves this depends initially on how well the analysis identifies the areas in which intervention could be most effective. The first draft of this Analysis was submitted to DTZ and comments and recommendations were provided back to WEFO.

7.3. WEFO subsequently provided a second draft to DTZ. DTZ evaluated this draft and found that the vast majority of recommendations had been implemented, which improved the document substantially, with more analysis of the data presented undertaken, a SWOT analysis carried out, and areas such as childcare, migration and demographic issues explored further in the following draft.

7.4. As well as addressing the content, DTZ also looked at issues related to the use of data and concluded that the data sources used were credible and up-to-date, that conclusions reached were based on sufficient evidence and that overall the analysis was accurate, comprehensive and relevant, thus providing a good foundation for identification of the Priorities and Themes for the Programme.

7.5. It was recommended however, that more use by made of comparative data from the EU(25).

Appraisal of the Programme rationale and internal consistency

7.6. This objective was achieved by DTZ through analysis of the Programme strategy chapter and an assessment of the Priorities and Themes that were set out by WEFO as compared to the needs and issues in the WWV area identified in the Analysis. As with other stages in the evaluation, DTZ made a

number of comments and recommendations on the strategy in order to strengthen its rationale and internal consistency. These related to providing more detail on the links between issues that emerged in the Analysis and the Priorities and Themes, and more clearly highlighting how the interventions described would address the labour market failures in the area.

7.7. Further recommendations related to the structure of the Priorities and Themes, with the most significant and substantial amendment to the structure of the Programme coming from the introduction of a new Priority that focuses specifically on the market failures surrounding young people and employment.

Appraisal of the external consistency

7.8. An important part of this evaluation was the appraisal of the extent to which the Programme was in line with other Welsh national policies, and strategies and policies at the UK and EU level. In this regard it was concluded that in the main the objectives and aims of the ESF Programme are cohesive with other relevant policies, and contribute in an appropriate manner to the achievement of the objectives of these other polices and strategies. In order to arrive at these conclusions DTZ assessed the content and aims of each element of the Programme's Priorities against various documents and policies at Welsh, UK and EU levels including (amongst others as detailed in Chapter 4):

- The Lisbon Strategy;
- The Gothenburg Agenda/Environmental Sustainability;
- The Third Report on Economic and Social Cohesion;
- The UK National Strategic Framework
- UK National Reform Plan;
- Wales: A Vibrant Economy; and
- Wales: A Better Country.

7.9. Further, the ESF Programme was also assessed in terms of its cohesion with other European funding Programmes such as the Wales ERDF Convergence Programme 2007-2013 and the ERDF and ESF Competitiveness Programmes for Wales and was found to be consistent with the content and direction of these Programmes.

Appraisal of elements relating to implementation, including monitoring and evaluation

7.10. As well as appraising the content and rationale of the ESF Programme, it was also important that this ex ante evaluation considered the practical arrangements for implementing the Programme and the arrangements for monitoring and evaluating the progress of the Programme. In this regard, the evaluation looked at a number of elements of the implementation arrangements, from the designation of bodies and procedures for various aspects of implementation such as financial flows, exchange of data monitoring and evaluation and publicity and information.

7.11. DTZ appraised these elements and made several recommendations in this regard. As is highlighted in Chapter 5, WEFO has agreed to these and agreed to implement them, however timing has not allowed us to see or comment upon the extent to which these have been implemented. However, an important aspect of the implementation arrangements – the arrangements for monitoring and evaluation, has changed markedly since the first draft of the Programme document was provided to DTZ. In this regard DTZ had concluded that although general and high level arrangements for monitoring and evaluation had been outlined, these were lacking in detail. A great number of recommendations were made, however the overarching recommendation was that WEFO devise and implement a monitoring and evaluation plan. This was agreed upon by WEFO, and most of the recommendations relating to monitoring and evaluation will be addressed by this plan.

Indicators and targets

7.12. As regards the design of indicators and the subsequent target setting process, it has been highlighted that there is still an ongoing discussion between DTZ and WEFO regarding the use of data from the Objective 1 Programme and the methodology that should be employed to make use of this data for formulating targets for the ESF Convergence Programme. It has been concluded that the Objective 1 data is mostly unusable, and DTZ are currently advising WEFO with regard to making more robust the methodology employed by WEFO to set the targets.

Implementation of recommendations

7.13. Chapter 6 of this evaluation discussed the extent to which the recommendations made have been implemented by WEFO, with the conclusions that the vast majority have been agreed upon and implemented. Where comments or recommendations were not agreed upon, these individual cases were highlighted and discussed.

Community added value and lessons learned

7.14. Throughout the process, the ex ante evaluation has also assessed the extent to which the Programme maximizes Community added value. The evaluation has clearly shown that the Programme aims to maximise added value by:

- Supporting Community economic and social cohesion objectives;
- Being strongly complementary to Community priorities, especially Lisbon;
- Adding value through high leverage and additionality; and
- Adding value through the method of implementation.

7.15. Lessons Learned from previous programmes have been integrated been throughout the Programme. Those drafting the Programme interacted with the recommendations and conclusions arising from the Lessons Learned at an early stage and as a consequence the Programme embodies, as far as possible within the context of some significant changes from the previous round, the key lessons learned from previous Programmes.

Revisions to the OP

7.16. As discussed within the relevant chapters above, a number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission in mid-December 2006.

7.17. Overall, it is DTZ's view that the changes made to the OP compared with the version that was appraised in early December have improved and strengthened the OP. None of the additional text has been found to raise any issues with the evaluators. As noted above, several recommendations made by DTZ that remained outstanding in the evaluation have been implemented in the revised OP.

Conclusions

7.18. In conclusion, the ESF Convergence Programme is a robust and coherent Programme that adequately seeks to address the employment market failures and problems in West Wales and the Valleys The aims of the Programme are internally consistent and are in line with external policies at the Welsh, UK and EU level. It forms a solid foundation for taking forward the vision for West Wales and the Valleys to be at the forefront of the drive towards improving the social, economic and environmental conditions within Europe.

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Nexus Report

ANNEX B: LESSONS LEARNED

ANNEX C: ENVIRONMENTAL REPORT

7.19. West Wales and the Valleys ESF Convergence Programme

7.20. As mentioned in the introduction, whilst the ERDF Programme required a full Strategic Environmental Assessment, it was discovered in the screening appraisal that this was not required for the ESF Programme. This Annex provides a statement to this effect from Royal Haskoning who undertook this appraisal as sub-consultants to DTZ.

7.21. A screening appraisal was undertaken to ascertain whether a formal SEA was required for the Programme. The screening appraisal was undertaken alongside consultation with the statutory bodies (Countryside Council for Wales, Environment Agency Wales, and Cadw). The screening appraisal used the format from the Scottish Executives screening guidance, and entailed the appraisal of the possible effects of the Programme on other policies, plans and programmes and range of influence, as well as being appraised against the outcomes identified in the Wales Environment Strategy.

7.22. Overall, the appraisal identified that the Programme would result in small-scale benefits that could potentially increase cumulatively to cover the region, and in the medium- and long-term lead to increasing environmental awareness and how to approach and tackle environmental issues. This is expected to lead to many unquantifiable indirect benefits to a range of environmental areas, namely: air pollution, climate change and adaptation, water resources and quality, biodiversity, landscape, quality of life, health, and material consumption and the waste hierarchy.

7.23. The pathways whereby the Programme could directly and adversely affect the environment are equivocal even in a precautionary appraisal, as well as being low in number.

7.24. Therefore, as the only potential adverse impacts are considered to be of low probability and negligible in scale in comparison to existing sectors/processes/activities, it was the opinion of WEFO (and agreed by the statutory bodies) that a full SEA was not required for the Programme.

ANNEX D DETAILS OF RECOMMENDATIONS

This Annex provides a chapter-by-chapter summary of the recommendations and comments made by DTZ regarding the ESF Convergence Programme 2007-2013. It is structured as follows, with recommendations provided in the following areas:

- Recommendations relating to Chapter 2 – Appraisal of the Analysis;
- Recommendations relating to Chapter 3 – Appraisal of the rationale and internal consistency;
- Recommendations relating to Chapter 4 – Appraisal of the external consistency; and
- Recommendations relating to Chapter 5 – Appraisal of implementation arrangements, including monitoring and evaluation.

Recommendations relating to Chapter 2 – Appraisal of the Analysis

This section of Annex D contains the recommendations that stemmed from the appraisal of the Analysis. It firstly discusses the recommendations from the first draft of the Analysis before considering the extent to which these were implemented by WEFO. The following recommendations resulted from the Appraisal of the first draft of the analysis:

Summary of key recommendations made

A detailed evidence matrix was submitted, with a line-by-line appraisal of the analysis. The key recommendations were:

- Undertake more analysis of the data presented, using the guidance in Annex 2 of the Draft Working Paper on Ex Ante Evaluation as chapter headings;

- Clearly draw conclusions from the data presented and explore the suggested additional areas (see below);
- Broaden the data to consistently cover West Wales and the Valleys, East Wales, UK and EU(25) as well as historic trends;
- Develop forward-looking analysis in respect of population change, expected demographic changes etc.;
- Complete a SWOT analysis; and
- Include more information on access to employment for everyone, social inclusion and identification of the underlying causes of disparity.

Areas requiring further work were suggested:

- Investigating components of economic inactivity in more detail for females especially, including for example those classifying themselves as wanting to work and/or those economically inactive due to caring responsibilities;
- Many areas in the UK have seen large movements out of the cities. Is Wales different and why?
- Issues facing workless households, especially single parents;
- Investigating childcare – one of the key barriers to work;
- One issue affecting all of Wales is the low number of 25-34 year olds – this is worthy of further investigation;
- Migration could be explored in more detail (e.g. are there flows between WWV and EW?);
- In Figure 11, there is a very worrying trend of worsening of labour market outcomes for ethnic minorities, contrary to general trends which should be explored; and
- In one part of the analysis, health is presented as the key cause of negative labour market outcomes (inactivity) whereas later on skills seems to be the key

one. More analysis needs to be conducted to determine the causes of negative labour market outcomes.

A number of alternative or additional conclusions suggested by the data were also presented. The key conclusions suggested are detailed below:

Demographics

- The demographic issues identified predominantly affect WWV only rather than EW.

Labour market outcomes

- There appears to be an argument that Wales has performed worse in terms of inactivity than the rest of the UK (especially when compared to unemployment). However, inactivity has declined, so the argument should be structured around relative rates of change; and

- In relation to skills and qualifications, in how far do low qualifications explain the differential performance of WWV? The text suggest that this is a key cause of disadvantage for a large part of the disadvantaged group but an alternative explanation is that we are seeing an increasing marginalisation of a smaller number of people?

Consideration of the extent of implementation of the recommendations made by DTZ

This section discusses the extent to which recommendations made by DTZ have been incorporated in subsequent drafts of the Analysis.

- Undertake more analysis of the data presented, using the guidance in Annex 2 of the Draft Working Paper on Ex Ante Evaluation as chapter headings.

  This was implemented in the second draft of the analysis.

- **Broaden the data to consistently cover West Wales and the Valleys, East Wales, UK and EU(25) as well as historic trends.**

  There is more comparison with EU(25) but this is still an area of weakness and should be expanded. More information on historic trends has been provided.

- **Develop forward-looking analysis in respect of population change, expected demographic changes etc.**

  The response from EcAD was that forecasts will not be included due to their inherent error and unreliability. DTZ continues to recommend the inclusion of forecast information, as it is considered important in the European guidance and regulations.

- **Complete a SWOT analysis.**

  This was done.

- **Include more information on access to employment for everyone, social inclusion and identification of the underlying causes of disparity.**

  This area was really enhanced with clear data relevant to social inclusion, disadvantaged individuals and deprivation.

- **Clearly draw conclusions from the data presented and explore the suggested additional areas (outlined below).**

  As outlined below, most suggested areas requiring further work have been implemented fully.

  Areas requiring further work were suggested:

- Components of economic inactivity, for females especially

- Additional data on the components of economic inactivity has been included.

- Many areas in the UK have seen large movements out of the cities. Is Wales different and why?

- Additional research on the net in- and out-migration patterns has been included, including drawing conclusions for major cities.

- Workless households, especially single parents.

- This area has been explored in the second draft of the analysis.

- Childcare – one of the key barriers to work.
- This area has been explored in the second draft of the analysis.
- Migration could be explored in more detail (e.g. are there flows between WWV and EW?).
- The migration flows into and outwith WWV and EW have been explored in more depth.

Issues which have not been looked at in greater detail are noted below:

- **One issue affecting all of Wales is the low number of 25-34 year olds (which might also be reflected in Figure 4) – this is worthy of further investigation.**

Further investigation was not undertaken but would be useful.

- **In one part of the analysis, health is presented as the key cause of negative labour market outcomes (inactivity) whereas later on skills seems to be the key one.**

This has not really been addressed – it is clear that ill-health is a major factor in economic inactivity and that having no qualifications shows a strong correlation. It is not clear, however, whether the skills issue is a major factor in absolute terms.

A number of alternative or additional conclusions suggested by the data were also presented. The key suggestions were:

<u>Demographics</u>

- **The demographic issues identified predominantly affect WWV rather than EW.**

Further text explaining the differences has been included.

Labour market outcomes

- **There appears to be an argument that Wales has performed worse in terms of inactivity than the rest of the UK (especially when compared to unemployment). However, inactivity has declined, so the argument should be structured around relative rates of change.**

  Discussion of the relative rates of change has been included in the analysis

- **In Figure 11, there is a very worrying trend of worsening of labour market outcomes for ethnic minorities, contrary to general trends which should be explored.**

  Text has been added explaining the small number of individuals involved.

- **In relation to skills and qualifications, are we seeing an increasing marginalisation of a smaller number of unqualified people (i.e. how much do low qualifications explain overall exclusion from the labour market)?**

  This has not been addressed.

Recommendations

Recommendations to further improve the Labour Market Analysis are:

- Include an additional comparison with EU(25) data;
- Provide absolute figures for numbers of people with no qualifications;
- Link the SWOT analysis more closely with the Labour Market Analysis in relation to increased deprivation seen by BME individuals, the HE sector in Wales and the principal cause of economic inactivity in Wales;
- Include forecast information; and
- Investigate further the statistic showing the low numbers of 25-34 year olds in Wales.

Recommendations relating to Chapter 3 – Appraisal of rationale and internal consistency

This section provides the recommendations that relate to the rationale and internal consistency of the ESF Convergence Programme. Those relating to the rationale are provided first with a statement as to WEFO's response regarding implementation. There is then a discussion of the economic rationale behind intervention, with each reason assessed against each of the three Priorities (as set out in the Consultation Document). This section concludes with a policy risk assessment.

Rationale

DTZ has found that, in general, the rationale of the ESF Convergence Programme is well developed and for the most part there is a strong link between the key challenges facing West Wales and the Valleys (WWV), the strategic vision and the key elements of the Programme in terms of Priorities and Themes.

DTZ concluded that there are a number of areas where the link could be strengthened. These are:

- **The underlying link between poverty, worklessness and social exclusion should be explored in more detail to strengthen the overall rationale for intervention.**

  This recommendation was accepted by WEFO.

- **The Analysis needs to set out the underlying need for intervention under Priority 3.**

  This recommendation was accepted by WEFO.

- **There needs to be an explanation of why the strategic priority of in-migration identified in the Analysis will not be taken forward in the Programme.**

WEFO advised that they would further consider this recommendation, however, it was decided in the end that making Wales a more attractive place to live and work in would indirectly tackle this issue.

- **The Programme should identify explicitly how the ESF interventions will contribute to achieving a higher value-added industrial mix, for example by providing skills training for specific sectors under Priority 2**.

  WEFO advised they would further consider this recommendation.

- **The Programme should make reference to ill health as part of the strategic challenges facing WWV.**

  This recommendation was accepted by WEFO.

- **Providing an explicit link between the Programme Priorities and the vision would strengthen the argument.**

  This recommendation was accepted by WEFO.

- **The Programme should highlight how the delivery through Structural Funds will add value and the importance and relevance of the co-financing mechanism.**

  This recommendation was accepted by WEFO, however, implementation was outwith the bounds of the OP document.

- **Assess the composition of the unemployed and inactive groups in WWV and consider differentiating between these in the Themes.**

  WEFO advised they would further consider this recommendation.

- **If the Theme aiming to help people to remain in work is aimed at supporting those who have recently become economically active to remain active, then this issue needs to be highlighted more explicitly in the Analysis, including an analysis of whether drop-out rates are a specific issue in Wales.**

This recommendation was accepted by WEFO.

- **Gender inequality in terms of pay profile, employment rates, or sectoral concentration should be covered within the Analysis**

  WEFO advised they would further consider this recommendation.

- **Greater clarity should be provided about what the Theme of gender inequality in employment is aimed at addressing.**

  WEFO advised they would further consider this recommendation.

- **Be more explicit about whether this Theme is aimed at addressing employability or providing increased labour supply in areas of high labour demand.**

  WEFO advised they would further consider this recommendation.

- **Clarify whether skills development will be used to increase employability under Priority 1. If this is aimed at reducing the risk of those in employment becoming unemployed or inactive then there may be scope to strengthen this objective in the supporting text.**

  This recommendation was accepted by WEFO.

- **Theme 3 of Priority 2 provides the clearest link of the Programme to productivity and economic growth. This link should be highlighted and consideration should be given as to whether this Theme should have a greater emphasis in the new Programme.**

  WEFO advised they would further consider this recommendation.

- **The Programme needs to differentiate between skills gap and skills shortage and the Priority should adequately reflect the skills gap identified, for example in relation to different sectors, localities and levels of skills.**

  WEFO agreed to further consider this recommendation.

- **Be more explicit about the underlying rationale for all Themes under Priority 2 to show whether they are mainly aimed at addressing employability or skills for the economy.**

  This recommendation was accepted by WEFO.

- **Consider the validity of splitting this Priority into the two Themes 1 and 2. If the purpose of collaboration is to increase quality and effectiveness, then capacity to deliver higher quality services should be achieved within this**.

  WEFO will further consider this recommendation.

- **Consider the validity of Theme 2 with the context of this specific Programme and whether the ESF intervention provides added value in this policy area.**

  WEFO advised they would further consider this recommendation.

- **If a major need has been identified to reallocate resources, a more decisive reallocation might be necessary, depending on the underlying rationale**.

  WEFO advised they would further consider this recommendation.

- **The rationale for financial allocations or changes to the allocations should be set out clearly.**

  WEFO advised they would further consider this recommendation.

- **A chapter or table detailing the link of the Programme to the Lisbon Strategy would be useful.**

  WEFO accepted this recommendation.

- **There should be consideration of whether there is appropriate balance between policies aimed at working age individuals and those at aimed at young children (pre working age).**

WEFO advised they would further consider this recommendation.

- **It could be spelled out in greater detail what is achievable in the Programme (noting limitations of scale) and why the specific Priorities have been selected above others**.

  WEFO advised they would further consider this recommendation.

- **The link between analysis, policy and Priorities and Themes should be made more explicit**.

  WEFO advised they would further consider this recommendation.

- **Consider whether Priority 3 is appropriate for the Programme.**

  WEFO considers that this priority is appropriate under the regulation. While DTZ accepts this, it is not clear whether there is a specific identified need for inclusion of Priority 3.

- **It should be considered whether there is scope to include more innovative interventions, with possibly higher risk, but also potential for greater impact**.

  WEFO advised they would further consider this recommendation.

Discussion of the economic rationale for intervention

Table A1 Summary of economic rationale for intervention by Priority/Theme

	Rationale			
Theme	**Public good**	**Externality**	**Imperfect information**	**Redistribution**
Priority 1 Increasing employment and tackling economic inactivity				
(a) Helping people into sustainable employment.		4		4
(b) Helping people to remain in work.		4		4
(c) Promoting gender equality in employment.		4		4
Priority 2 Improving skills levels and improving the adaptability of the workforce				
(a) Supply new entrants to the labour market with the skills needed for employment.		4	4	4
(b) Raising the skills base of the workforce and supporting progression in employment		4	4	
(c) Improving systems of workforce development and addressing skills gaps and shortages, and promoting the adaptability of enterprises and workers.		4	4	
Priority 3: Modernise and improve the quality of public services				
(a) Transform service delivery through more collaborative working.		4		
(b) Building the capacity of public service sector to deliver higher quality services.		4		

Priority 1

Support for Themes 1 and 2 within this Priority is justified on the grounds of the positive externality arising from increased workforce activity, increased GDP and reduced poverty. In addition, if increased activity amongst lower skilled workers fails to contribute substantially to GDP, there remains a strong equity argument in favour of public sector intervention in decreasing worklessness and increasing healthier lifestyles in WWV as a tool for reducing poverty and inequality.

Priority 2

The focus of this Priority is to raise the skills level of those in the labour market and those about to enter the labour market. The rationale for public sector intervention across this Priority is explained by the positive externality gained by society from the consumption of a good (skills development).

There are two key reasons why intervention can be justified. Firstly, the problem of information failure where individuals underestimate the benefits gained from enhanced skills attainment and under-consume. Secondly, education and the development of skills is regarded as a merit good, where the positive benefits to society (through higher productivity/GVA) are greater than the benefits to an individual. Therefore, if left to the market, a sub-optimal level of education would be attained. The low skills profile in WWV illustrates that intervention is required to enhance the skills attainment in WWV. Activity designed to prevent individuals from entering unemployment or inactivity is also valid on equity grounds. This mismatch in skills supplied and the skills demanded by employers also provides justification for intervention on the basis of social benefits to society from a closer alignment in skills supplied and demanded.

Priority 3

There is an externality argument in support of Theme 1 and 2, where the benefits to society are increased from a more efficient, effective, coherent and responsive public sector. However, whether there is a specific need to improve public service in WWV, beyond the national level, is unclear.

Summary

Overall there is justification for intervention, although the appropriateness of Priority 3 within the Programme is unclear.

Policy risk assessment

The Commission noted that the Analysis should cover the policy risk involved in the choice of Priorities[4]. Arising from a concern that Structural Funds interventions were becoming increasingly risk-averse, this aims to explore the balance between more standard interventions which are 'easier' to implement and those which are inherently more risky but might have a bigger impact. In this context, risk is interpreted as the risk of delivering the outcomes, i.e. whether the intervention works. The impact of the policy are the outcomes if

the policy delivers, i.e. the outcomes, if the policy has worked on the overarching objectives of the Convergence Programme in terms of jobs and growth. As an example, finding the cure for cancer has high policy risk (as the research only has a small likelihood of succeeding) but a very high impact if successful.

The strategy chapter does not provide enough detail on activities to make a comprehensive assessment of policy risk possible. Within each Priority it would be possible to support activities with varying degrees of risk and innovation. Table A2 contains a headline risk assessment of each Priority and Theme. This indicates the potential scale of policy risk alongside potential impacts of the associated intervention.

Table A2 Policy risk assessment

Theme	Potential risk	Potential impact	Notes
Priority 1 Increasing employment and tackling economic inactivity			
1 Helping people into sustainable employment.	M	H	Increasing difficulty to get those farthest away from the labour market into employment Well established intervention path.
2 Helping people to remain in work.	M-L	M	Difficulty of identifying appropriate target group Well established intervention path.
3 Promoting gender equality in employment.	H	M	Limited evidence of successful interventions (sectoral or in terms of career progression)
Priority 2 Improving skills Levels and improving the adaptability of the workforce			
1 Supply new entrants to the labour market with the skills needed for employment.	M	H	Higher risk where target is to stimulate behavioural change. Well-established intervention path

[4] European Commission Draft Working Paper on Ex Ante Evaluation, October 2005, p. 9

Theme	Potential risk	Potential impact	Notes
2 Raising the skills base of the workforce and supporting progression in employment	L	M	Well-established intervention path
3 Improving systems of workforce development and addressing skills gaps and shortages, and promoting the adaptability of enterprises and workers.	M	H	Potential to impact positively on employers and employees Well-established intervention path
Priority 3: Modernise and improve the quality of public services			
1 Transform service delivery through more collaborative working.	H	M	Limited evidence of successful interventions to establish joint working
2 Building the capacity of public service sector to deliver higher quality services.	M	M	May be costly to implement Well established intervention path.

Chapter 3 (continued) – Recommendations relating to internal consistency

- **It should be clarified what is included under the gender equality Theme, and ensure that it is not a duplication of Priority 1, Theme 1.**

  WEFO advised they would further consider this recommendation.

- **Consider the appropriateness of Priority 3, Theme 2 in the Programme.**

  WEFO considers that this Theme is appropriate under the regulation. While DTZ accepts this, it is not clear whether Theme 2 in Priority 3 fits well with the broad objectives of the remaining Programme.

Recommendations relating to Chapter 4 – Consistency of the ESF Programme with other Welsh, UK and EU strategies and policies

Overview

This section provides the recommendations that relate to the external consistency of the ESF Convergence Programme, including other Welsh, UK and EU strategies as well as the Wales ERDF Convergence Programme.

Summary and recommendations – Consistency with EU policies

For the most part, Programme is consistent with European policies and strategies.

Programme design of the Programme should be strengthened in the following areas to be fully consistent with European strategies and policies:

- **The rationale for excluding Themes mentioned in the regulations should be detailed in the Programme documents**.

  WEFO agreed to further consider this recommendation.

- **More detail should be included on how equal opportunities can be integrated in the day-to-day implementation of the Programme.**

  WEFO agreed to implement this recommendation.

- **It should be made clear how the Programme will contribute to environmental sustainability objectives.**

7.25. This recommendation was accepted by WEFO.

- **It should be noted that modernisation of social protection systems is not part of the Programme as this is outwith the scope of the Programme in Wales as the responsibility for the design of the social protection system lies with the UK government.**

  This recommendation was accepted by WEFO.

Recommendations Relating to UK Policies

- **Consider whether promoting work life balance and. providing incentives to encourage participation should be considered in the strategy.**

  WEFO advised they would further consider this recommendation.

- **Consider whether affordable childcare should be explicitly referenced in Priority 1, Theme 1**.

  WEFO advised that they would implement this recommendation.

Recommendations Relating to Consistency with Other Welsh Policies

- **It should be considered whether lifelong learning can be promoted across all population groups.**

  WEFO declined to implement this recommendation.

- **Consider whether there is a need to reference working with employers and trade unions to improve workforce skills as well as the suitability of qualifications and learning provisions in the Programme**.

  WEFO advised they would further consider this recommendation.

Recommendation: Consider whether the Programme should alter the focus of intervention to tackle/prevent future unemployment and inactivity, by specifically focus on young children. [5]

Recommendation: Consider whether the role of the community in enhancing/fostering social capital should be included in Programme.[6]

Recommendation: Spatial targeting should be explored in greater detail in

[5] This recommendation was accepted by WEFO.
[6] WEFO will further consider this recommendation.

the programme, setting out the key elements of relevance from the Wales Spatial Plan.[7]

Recommendation: In the Convergence Programmes, there should be consideration of whether there are specific areas of intervention, for example in the field of HE/FE cooperation or in the area of environmental management, where territorial cooperation should form an essential part of the interventions[8].

Complementarity between the ERDF and ESF Convergence Programmes

Table A3 Complementarity between the ERDF and ESF Convergence Programmes

ERDF Priority	ESF Priority	Nature of complementarity	Strength
1	1	Growth (ERDF) will stimulate employment (ESF). Similarly, increasing labour supply will ensure that growth is not constrained by the labour market. However, most of the growth will be at the higher skills end (innovation, R&D etc.) whereas the labour market measures will focus on those excluded from the labour market.	M
	2	Higher value-added growth (ERDF) will stimulate demand for skills (ESF). Similarly, a higher supply of skills will reduce skills gaps and shortages. Key will be to ensure that the skills meet business requirements. It will also be important to note when the main objective of a skills intervention is focused on enhancing employability of excluded groups which will have more limited complementarity with ERDF Priority 1.	M-H
	3	If the key objective of ESF Priority 3 is to enhance administrative capacity in relation to enabling and supporting private sector development, this could have a very major effect on ERDF Priority 1. If the main focus is more efficient internal public sector mechanisms, there will be limited impact.	?

[7] WEFO will further consider this recommendation.
[8] WEFO agreed to implement this recommendation.

ERDF Priority	ESF Priority	Nature of complementarity	Strength
2	1	There will be additional demand for employment from the ERDF interventions, particularly in the construction and related sectors. Increased employment will also increase demand on the economic infrastructure.	M
	2	More economic infrastructure will require particular skills, particularly in areas such as construction and related sectors, for example engineering.	L-M
	3	If the key objective of ESF Priority 3 is to enhance administrative capacity in relation to enabling and supporting private sector development in particular sectors, this could have a very major effect on ERDF Priority 2. If the main focus is more efficient internal public sector mechanisms, there will be limited impact unless it is focused in areas directly related to ERDF Priority One such as planning.	?
3	1	Employment and moving people from economic inactivity into employment is a key part of developing disadvantaged communities. Worklessness is the biggest cause of poverty and increasing employment.	H
	2	Skills development can be an important part of economic development if it enables individuals to participate in the labour market or to access higher value-added jobs.	L-M
	3	There appears to be no direct link between administrative capacity and sustainable communities.	-

The key complementarities are between Priority 1 (ERDF) and Priority 2 (ESF) (and to a lesser extent ESF Priority 1), and between Priority 3 (ERDF) and Priority 1 (ESF). One key issue to consider is in how far Priority 2 is aimed at improving skills driven by employer demand or whether the focus is on equipping those outside the labour market with additional skills which would have a much more limited effect on growth.

Summary of recommendations from Chapter 5 – Appraisal of implementation arrangements

This section of Annex D provides the recommendations that were made in relation to implementation arrangements, which includes arrangements for monitoring and evaluation, before latterly discussing in more detail the specific recommendations that relate specifically to monitoring and evaluation.

The recommendations made in this regard are as follows.

<u>High level recommendations</u>

- The rationale for introducing changes such as the new electronic Knowledge Management system and the Strategic Frameworks should be explored in greater detail.
- The risks involved in the introduction of new implementation arrangements, as well as associated risk mitigation or management, should be considered alongside the benefits of any changes.
- A high level risk register should be included in the Implementation Chapter.

<u>Designation of Authorities</u>

- There should be an explanation of the underlying objectives and potential limitations of functional separation within WEFO.
- The importance of IAS verifying the audit trail and ensuring compliant record keeping should be highlighted.

<u>Partnership</u>

- More detail on how voluntary and community bodies will be encouraged to participate is required.
- More detail on how the PMC will be constituted is required.

- The interaction of the PMC with the Strategic Frameworks should be explored, for example in relation to project selection criteria.
- More detail is required on what criteria will drive project selection.

Implementation

- Mainstreaming equality has to be highlighted alongside Lisbon and Gothenburg.
- The term ‘deeper interventions’ needs to be explained.
- The role of the Wales Spatial Plan in implementation needs to be refined and explained in more detail.
- More detail on Strategic Frameworks would be helpful.
- A separate detailed section on PPIMS would be helpful.
- The conditions for payment in advance or by ‘need’ have to be specified in more detail.

Monitoring and evaluation

- More detail on the role of regular monitoring and evaluation in reporting progress to the wider stakeholders in Wales would be helpful.
- A draft outline of the Monitoring and Evaluation Plan should be included in the OP.
- More detail on how evaluation capacity will be built up in this funding period would be helpful.

Table A4 Recommendations and assessment of actions taken in response

Recommendation		**Assessment of action taken in response**
Recommendations relating to a monitoring and evaluation strategy (evaluation plan)		
It would be helpful to have the detailed monitoring and evaluation provisions in one place and only to have brief summaries (with a cross-reference) whenever required;		Accept. WEFO will develop a Monitoring and Evaluation Plan which will be in place before the Programme starts. WEFO decided to use the term "Monitoring and Evaluation Plan" rather than "Evaluation Plan" as it is believed that there is great value in acknowledging the strong links between monitoring and evaluation.
The function and role of monitoring and evaluation as part of continuous improvement of Programme delivery should be highlighted.		Accepted. Monitoring and Evaluation Plan will is being developed and will be in place before the Programme starts.
The Programmes should set out what is meant by on-going evaluations and how it differs from current practice.		More detail has been added to the Implementation chapter but this will be explored further in the Monitoring and Evaluation Plan.
It should be made clearer what the key components of monitoring and evaluation are in the new programming period.		WEFO have adopted the components suggested by DTZ and set these out in the Strategy chapter. These will be explored further in the Monitoring and Evaluation Plan (the Plan).

Recommendation		**Assessment of action taken in response**
More detail should be provided on plans for programme-level evaluation and how this will be integrated throughout Programme delivery.		
It should be clarified what programme level evaluation activity is planned in between the ex ante and the ex post evaluation.		
It should be explored how the Cross Cutting Themes will be evaluated at a programme level.		
Measuring soft outcomes requires consideration at an early stage and plans should be set out in greater detail.		This will be explored in the Plan.
Roles and responsibilities of all bodies involved in monitoring and evaluation should be outlined.		Addressed for the PMC. Wider bodies/stakeholders should also be considered. Will be explored further in the Plan.
Recommendations relating to project-level monitoring		

Recommendation		**Assessment of action taken in response**
Sufficient resources for project level evaluations should be identified and set aside at the outset of the Programmes.		Available within Themes (will not be set aside as separate funds; however, projects will be required to undertake appropriate evaluations, and this will be an eligible cost).
Detailed guidance on project-level evaluation (including processes and approaches) should be provided to the project applicants at the outset.		This has been accepted and the existing project-level monitoring and evaluation guidance is currently being expanded.
It should be noted how the Cross Cutting Themes will need to be considered within Project-level evaluations.		Will be covered in project evaluation guidance which will be expanded to address this.
It needs to be clarified whether all projects need to carry out evaluations or only those above a certain threshold.		Addressed. All projects need to carry out evaluations; external evaluations are required for higher-grant, higher risk, innovative or pilot projects. This has been stated in the Implementation Chapter.
Recommendations relating to indicators		

Recommendation		**Assessment of action taken in response**
It needs to be made clear how the Programmes will impact on the tracking indicators.		WEFO responded that the tracking indicators are necessarily contextual because other, external factors will affect their performance as well as the Programme. Directly linking interventions with tracking indicators may overstate the effect the Programme could have on these indicators.
Given the scale of the ESF Convergence Programme, it should be clarified whether it is realistic to expect that it will impact on the high level tracking indicators.		As noted above, the tracking indicators are contextual. The purpose of tracking indicators has been made clearer.
It should be considered whether a simpler monitoring framework with fewer indicators might improve monitoring.		The indicators have been subject to considerable revision since publication of the Consultation Document. Attempts have been made to simplify the framework and to make the link between output, result and impact indicators and Priority/theme level objectives and activities.
Recommendations relating to evaluation capacity and knowledge gaps		

Recommendation		**Assessment of action taken in response**
There needs to be consideration of how WEFO can ensure the required evaluation capacity is available in the evaluation community to carry out the Project and Programme level evaluations.		Accepted. WEFO will consider further.
It should be set out where there are methodological knowledge gaps and where additional research will need to be carried out for effective monitoring and evaluation in the new programming period.		WEFO will explore this in the Plan and expand the existing project-level monitoring and evaluation guidance.
m		WEFO will explore this in the Plan and expand the existing project-level monitoring and evaluation guidance.

Publicity and Communication

- There is scope to use communication activity more pro-actively and positively to highlight the added value from Structural Funds for Wales.

Chapter 5 – Continued: Details of earlier appraisal of the monitoring and evaluation arrangements

What follows is an earlier document of the monitoring and evaluation arrangements contained within the Consultation stages. The subsequent adoption by WEFO of the recommendation to introduce a Monitoring and Evaluation Plan in effect addresses most of the recommendations made at this earlier stage. However, in order to document fully the ongoing process that led to the monitoring and evaluation arrangements contained within the OP, the details are provided here.

Monitoring and evaluation

Section overview

Overall, the Consultation Document sets out a very broad overview of what will be required in terms of monitoring and evaluation. The key elements of a robust and comprehensive monitoring and evaluation framework are contained within the Consultation Document but many elements are not explored in detail. Our key recommendation is that the monitoring and evaluation provisions for the new programming period should be set out in greater detail. We would suggest that a **monitoring and evaluation strategy (or evaluation plan)** would be an appropriate way of doing this.

Such a plan will also address many of the specific recommendations set out in this document. Specific recommendations which are likely to be clarified by such a Strategy are:

- It would be helpful to have the detailed monitoring and evaluation provisions in one place and only to have brief summaries (with a cross-reference) whenever required;
- The function and role of monitoring and evaluation as part of continuous improvement of Programme delivery should be highlighted.

- The Programmes should set out what is meant by on-going evaluations and how it differs from current practice.

- It should be made clearer what the key components of monitoring and evaluation are in the new programming period.

- More detail should be provided on plans for programme-level evaluation and how this will be integrated throughout Programme delivery.

- It should be clarified what programme level evaluation activity is planned in between the ex ante and the ex post evaluation.

- It should be explored how the Cross Cutting Themes will be evaluated at a programme level.

- Measuring soft outcomes requires consideration at an early stage and plans should be set out in greater detail.

- Roles and responsibilities of all bodies involved in monitoring and evaluation should be outlined.

There are also a range of recommendations which relate to project level evaluation:

- Sufficient resources for project level evaluations should be identified and set aside at the outset of the Programmes.

- Detailed guidance on project-level evaluation (including processes and approaches) should be provided to the project applicants at the outset.

- It should be noted how the Cross Cutting Themes will need to be considered within Project-level evaluations.

- It needs to be clarified whether all projects need to carry out evaluations or only those above a certain threshold.

There are also some specific recommendations relating to indicators:

- It needs to be made clear how the Programmes will impact on the tracking indicators.

- Given the scale of the Convergence Programme, it should be clarified whether it is realistic to expect that it will impact on the high level tracking indicators.

- It should be considered whether a simpler monitoring framework with fewer indicators might improve monitoring.

Finally, the following recommendations relate to evaluation capacity and knowledge gaps:

- There needs to be consideration of how WEFO can ensure the required evaluation capacity is available in the evaluation community to carry out the Project and Programme level evaluations.

- It should be set out where there are methodological knowledge gaps and where additional research will need to be carried out for effective monitoring and evaluation in the new programming period.

- Specific issues around the monitoring and evaluation of environmental sustainability should be explored in greater detail.

This section of Chapter 5 contains the following draft component of the appraisal of implementation as part of the ex-ante evaluation for the ERDF and ESF Convergence Programmes:

At this stage (10 October 2006), no further detail is available on implementation arrangements which could be appraised as part of the ex ante evaluation.

Further details of the above task are contained within the following section.

In appraising the Programme rationale, the task of the evaluator, as set out within the specification for the Ex Ante Evaluation, is to assess the implementing provisions proposed for monitoring and evaluating the programme.

The key guidance document for monitoring and evaluation of the new programmes is the Commission's Working Paper "Evaluation during the programming period: on-going evaluation"[9]. In addition, there is also a specific working paper on indicators and targets[10]. The Commission will also produce additional guidance on the requirements for ex post evaluation.

Overview – monitoring and evaluation

The Consultation Document[11] contains provisions for monitoring and evaluation in paragraphs 2.68 to 2.77 as part of the Strategy chapter (p. 41 to 44) and 5.40 to 5.47 as part of the Implementation chapter (p. 134-135). In addition, there is a reference to monitoring and evaluation for Equal Opportunities (paragraph 4.53), referenced again for environmental sustainability (paragraph 4.98).

Recommendation: It would be helpful to have the detailed monitoring and evaluation provisions in one place and only to have brief summaries (with a cross-reference) whenever required.

The key elements of a robust and comprehensive monitoring and evaluation framework are contained within the Consultation Document. However, the information on monitoring and evaluation is at a very high level with many elements not explored in detail.

One way of developing a more specific framework is to first establish an overarching monitoring and evaluation strategy (Article 46 of the Draft Working Paper refers to an 'Evaluation Plan') at the outset of the programme to ensure consistency and coherence. Such a strategy should remain flexible throughout the programming period but would be a useful framework. It should contain (with further guidance available in the WP):

- Guidance on what monitoring and evaluation is required by projects (e.g. indicators) and broad guidelines on how to do this

[9] http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/exante_sf2007-2013_en.pdf
[10] http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/indic_sf2007-2013_en.pdf
[11] http://www.wefo.wales.gov.uk/resource/Conv-Consultation-e4718.pdf

- What indicators will be used to track overall progress and how closely they are linked to the programme
- What resources/capacity will be required to carry out the monitoring and evaluation (internal and external)
- Indicative timelines
- Responsibilities (WEFO, partners)
- Links to relevant guidance
- How the findings of the ex post evaluation of the last programme might be integrated into the current programme
- How findings of evaluations will be integrated into programme delivery and programme revisions if required
- How monitoring activity will be used to trigger evaluations (departure from initial goals)
- Key overarching evaluations (with timescales) for example:
- Annual reports
- MTE/UMTE or other mechanisms which will be used to judge progress to adjust the current programme and in preparation for the next programming period (NB – the working paper on measuring additionality stipulates that the MTE will take place in 2011 for the Convergence programme but this is not a requirement in the WP on ongoing evaluation)
- Thematic evaluations (e.g. contribution to environmental sustainability, equal opportunities, Lisbon)
- Meta-evaluations (by strategic framework or Theme)
- Potential performance-related/process evaluations
- Ex post

Recommendation: The monitoring and evaluation provisions for the new programming period should be set out in greater detail. We would suggest that a monitoring and evaluation strategy (or evaluation plan) would be an appropriate way of doing this.

Monitoring and evaluation in the Strategy chapter

The strong emphasis on high quality and robust evaluation is very welcome. It would be worth strengthening this by detailing how monitoring and evaluation will be used within Programme delivery to improve the impact of the Programmes.

Recommendation: The function and role of monitoring and evaluation as part of continuous improvement of Programme delivery should be highlighted.

The chapter emphasises two mechanisms by which the Programmes will be monitored and evaluated – 1) high level tracking indicators and 2) objective setting and evaluation of individual programmes. The second heading seems to cover a wide range of activity. It would be helpful to separate out the different tasks. The evaluators would suggest, as broad headings, the following components:

- Tracking indicators;
- Monitoring (Indicators and Targets);
- Programme-level evaluation (ex ante, on-going and ex post); and
- Project/Strategic Framework-level evaluation.

Recommendation: It should be made clearer what the key components of monitoring and evaluation are in the new programming period.

The tracking indicators are very high level. It should be made clear how these indicators link into the interventions which will be delivered by the Programmes.

Recommendation: It needs to be made clear how the Programmes will impact on the tracking indicators.

The ERDF Convergence Programme is of a sufficient enough scale to impact on some of these high level indicators. It is, however, difficult to see how the ESF Convergence Programme will impact at such a high level.

Recommendation: Given the scale of the ESF Convergence Programme, it should be clarified whether it is realistic to expect that it will impact on the high level tracking indicators.

In terms of the monitoring indicators and targets, more consideration is needed as to whether a more simplified framework would improve monitoring.

Recommendation: It should be considered whether a simpler monitoring framework with fewer indicators might improve monitoring.

The text notes that the Welsh Assembly Government will make sufficient resources available to carry out Programme-level evaluations as required by EU legislation. More detail would be helpful to explore what Programme-level evaluation activity is planned and how it will be integrated in Programme delivery.

Recommendation: More detail should be provided on plans for programme-level evaluation and how this will be integrated throughout Programme delivery.

The emphasis on project–level evaluation, alongside guidance and support at the project outset, is welcome and will assist in continuously improving programme delivery. Care should be taken to adequately resource such evaluation activity while at the same time ensuring that projects have sufficient internal capacity to carry out these requirements. In general, as a rule of thumb, about 1-3% of project value needs to be set aside at the outset for external evaluation (depending on size of project and degree of primary research necessary).

Recommendation: Sufficient resources for project level evaluations should

be identified and set aside at the outset of the Programmes.

To help the projects in commissioning these evaluations, it will be important to establish guidance on the commissioning process (timing, tasks, suggested resources, etc.) as well as outlining content of aims and objectives of evaluations. It might be best to provide guidance for each framework area, as they will share common evaluation Themes.

Recommendation: Detailed guidance on project-level evaluation (including processes and approaches) should be provided to the project applicants at the outset.

It is crucial to consider early on how such evaluation activity can be supported by WEFO and the evaluation community to ensure there is sufficient capacity to carry out these requirements. It might be worth establishing a single evaluation portal with all the guidance which could also be used to post contacts, invitations to tender, guidance etc. There is also the possibility (noted in the WP on ongoing evaluation) to scope overall evaluation requirements at the outset and establish framework/call down contracts for certain tasks.

Recommendation: There needs to be consideration of how WEFO can ensure the required evaluation capacity is available in the evaluation community to carry out the Project and Programme level evaluations.

The text sets out requirements for the ex ante evaluation (being carried out in 2006) and the ex post evaluation (2015). Consideration should be given on what Programme-level evaluation activity is appropriate in the interim 9-year period. This includes for example evaluations relating to Strategic and Operational Functions, thematic evaluations, meta-evaluations etc.

Recommendation: It should be clarified what programme level evaluation activity is planned in between the ex ante and the ex post evaluation.

Monitoring and evaluation of Cross Cutting Themes

The Consultation Document sets out how Equal Opportunities will be monitored and evaluated, mentioning the welcome involvement of specialist advisors in the project development phase. While there is sufficient detail on monitoring, there is no specific reference to programme-level evaluation, either as part of overarching evaluations or as specific thematic evaluations.

Recommendation: It should be explored how the Cross Cutting Themes will be evaluated at a programme level.

It is also not detailed in how far it will be expected from Project level evaluations that impacts on the CCTs need to be taken into account.

Recommendation: It should be noted how the Cross Cutting Themes will need to be considered within Project-level evaluations.

The document refers to the development of ways of measuring soft outcomes. This is a complex area and lessons learned from previous programmes suggest that systems need to be in place early on to ensure consistency and a sound methodological approach.

Recommendation: Measuring soft outcomes requires consideration at an early stage and plans should be set out in greater detail.

In general, where there are uncertainties in relation to methodological approaches, indicators and targets or any other aspects of monitoring and evaluation, additional research (internal or external) to address these issues should be carried out.

Recommendation: It should be set out where there are methodological knowledge gaps and where additional research will need to be carried out for effective monitoring and evaluation in the new programming period.

On environmental sustainability, the document refers back to monitoring and evaluation of Equal Opportunities. However, there is no specific consideration of differences between these policy areas, for example difficulties in measuring environmental effects of the Programmes consistently (as the impact is often indirect), the role of the 'green sector' and the requirements for monitoring environmental impacts set out in the SEA.

Recommendation: Specific issues around the monitoring and evaluation of environmental sustainability should be explored in greater detail.

Monitoring and evaluation in the Implementation chapter

There is some detail on the role of an Evaluation Advisory Group, as well as reference to the roles of WEFO and the PMC in monitoring and evaluation. However, a much wider exploration of roles and responsibilities, including those of delivery partners, projects and external evaluators is necessary to ensure clarity of who does what.

Recommendation: Roles and responsibilities of all bodies involved in monitoring and evaluation should be outlined.

There is a reference here to a shorter, more focused indicator framework but it is unclear how this has been translated into practice. This will also impact on the target setting. As recognised in the Consultation Document, targets will have to be specified for the OP.

The text refers to on-going evaluation but without exploring what this will entail. The subsequent sentence on strategic and operational level evaluations is not clear.

Recommendation: The Programmes should set out what is meant by on-going evaluations and how it differs from current practice.

There is more detail here on what is required in terms of project-level evaluation but the comment above (requiring more detail on capacity and resources required of projects and evaluators) still applies. It would also be helpful if it is outlined how TA will be used to support monitoring and evaluation.

The text refers to all projects carrying out evaluation and not just those above a certain threshold (as noted in the Strategy chapter).

Recommendation: It needs to be clarified whether all projects need to carry out evaluations or only those above a certain threshold.

Summary and recommendations – Monitoring and evaluation

Overall, the Consultation Document sets out a very broad overview of what will be required in terms of monitoring and evaluation. The key elements of a robust and comprehensive monitoring and evaluation framework are contained within the Consultation Document but many elements are not explored in detail. Our key recommendation is that the monitoring and evaluation provisions for the new programming period should be set out in greater detail. We would suggest that a **monitoring and evaluation strategy (or evaluation plan)** would be an appropriate way of doing this.

Such an Evaluation plan will also address many of the specific recommendations set out in this document. Specific recommendations which are likely to be clarified by such a Strategy are:

- It would be helpful to have the detailed monitoring and evaluation provisions in one place and only to have brief summaries (with a cross-reference) whenever required;
- The function and role of monitoring and evaluation as part of continuous improvement of Programme delivery should be highlighted.
- The Programmes should set out what is meant by on-going evaluations and how it differs from current practice.
- It should be made clearer what the key components of monitoring and evaluation are in the new programming period.
- More detail should be provided on plans for programme-level evaluation and how this will be integrated throughout Programme delivery.
- It should be clarified what programme level evaluation activity is planned in between the ex ante and the ex post evaluation.
- It should be explored how the Cross Cutting Themes will be evaluated at a programme level.
- Measuring soft outcomes requires consideration at an early stage and plans should be set out in greater detail.
- Roles and responsibilities of all bodies involved in monitoring and evaluation should be outlined.

There are also a range of recommendations which relate to project level evaluation:

- Sufficient resources for project level evaluations should be identified and set aside at the outset of the Programmes.
- Detailed guidance on project-level evaluation (including processes and approaches) should be provided to the project applicants at the outset.
- It should be noted how the Cross Cutting Themes will need to be considered within Project-level evaluations.
- It needs to be clarified whether all projects need to carry out evaluations or only those above a certain threshold.

There are also some specific recommendations relating to indicators:

- It needs to be made clear how the Programmes will impact on the tracking indicators.
- Given the scale of the ESF Convergence Programme, it should be clarified whether it is realistic to expect that it will impact on the high level tracking indicators.
- It should be considered whether a simpler monitoring framework with fewer indicators might improve monitoring.

Finally, the following recommendations relate to evaluation capacity and knowledge gaps:

- There needs to be consideration of how WEFO can ensure the required evaluation capacity is available in the evaluation community to carry out the Project and Programme level evaluations.
- It should be set out where there are methodological knowledge gaps and where additional research will need to be carried out for effective monitoring and evaluation in the new programming period.

Specific issues around the monitoring and evaluation of environmental sustainability should be explored in greater detail.

ANNEX D – EQUAL OPPORTUNITIES ANALYSIS AND EQUALITY MATRIX

SUMMARY OF EQUAL OPPORTUNITIES ANALYSIS STRUCTURAL FUNDS PROGRAMMES 2007-2013

It is crucial that the benefits of the Convergence programmes are spread equitably to the people and communities within the region. Raising the levels of educational attainment, skills and innovation in West Wales & the Valleys will be critical to securing a successful and vibrant economy where there are high levels of economic activity with good quality sustainable jobs.

Tackling the high levels of economic inactivity in the region by enabling those who face barriers (often multiple) to access employment, and supporting those who are alienated from the employment culture to benefit from the opportunities the Convergence programme affords, will enhance the lives of individuals, families and communities.

Ensuring people have lifelong contact with the labour market and develop the skills to progress, developing strategies to tackle the gender pay gap and occupational segregation, and increasing the numbers of entrepreneurs especially women and working with employers to develop structures and policies that enhance the work environment for all, are key actions.

(a) Employment

While significant progress has been made in West Wales & the Valleys in recent years, the employment rate remains below that for Wales as a whole. As explained in Chapter 2 - Analysis, this relatively low employment rate is explained by continuing economic inactivity rather than by unemployment. Extensive research in the area of inactivity has led to an emerging consensus that a significant proportion of those with self-reported, work-limiting health conditions, including people on incapacity benefits, could, with the right support, play a more active role in the labour market[1].

The employment rate for older workers remains below the Lisbon target of 50%. Over 38% of individuals in the 50/59 to 64 age bracket are economically inactive. Disadvantage earlier in life, increases the likelihood of serious disadvantage in old age. Likewise, discrimination is compounded by the added dimension of ageing. Changing the attitudes of employers towards older workers, along with a promotion of flexible working arrangements are key actions. There is also the need to focus on up-skilling and re-skilling if we are to see wider choices and options available to workers over 55 years of age.

[1] Welsh Assembly Government, Sixth Annual Equality of Opportunity Report 2004–2005: http://www.wales.gov.uk/assemblydata/N000000000000000000000000000040106.pdf

Disabled people comprise a large proportion of incapacity benefit claimants and there are several key areas of disadvantage that act as barriers to inclusion in the labour market, including transport, skills and opportunities to gain qualifications. There has been an international move towards a rights based approach in the disability policy field, based on the notion of right rather than charity and an accommodation of difference rather than a compulsory adjustment to an artificial norm. Therefore the limitations faced by disabled people should no longer be linked to their disability, but to society's inability to provide equality of opportunity to all. EU Regulation 1083/2006, Article 16, highlights the need to ensure disabled people have the opportunity to participate and benefit from the operations financed by Structural Funds.

A key strategy will be to ensure early and active intervention and support which helps disabled people become employable and not to define themselves as unable to work before they have accessed such interventions. Support mechanisms need to be ongoing and integrated into a wide range of employment programmes to ensure that disabled people are able to remain in employment. It's important to acknowledge that the population of people who are disabled are extremely heterogeneous. An individual's limitation(s) may result from a wide variety of impairments that have differential impacts on their participation in society. Therefore solutions should not be based on traditional assumptions or stereotypes, but on the particular need of the individual. As with other marginalised groups, changing the attitudes of employers towards disabled people, opening up access to employment is crucial if disabled people are to be fully integrated within their communities. Disabled people also represent a source of untapped potential to the development of economic growth.

While care needs to be taken when interpreting the figures for the Black and minority ethnic population, due to the sample size, there has been an increase in the numbers of people from a BME background registering as unemployed since 2001.. Recent evidence investigating the differences in labour market outcomes of BME individuals in England and Wales and the reasons for these differences, suggests that a contributing factor could be, as BME individuals tend to live in disadvantaged areas they pay a labour market penalty. BME individuals also have lower educational attainment than non-BME individuals, although the proportion of BME people without any formal qualifications in West Wales and the Valleys is lower than for the rest of Wales, likewise the proportion of BME people with level 4 and above qualifications is higher in West Wales and the Valleys.

Account also needs to be taken of the differences in activity levels between minority ethnic groups and men and women. For example, using census 2001 information, the overall economic activity rate for Bangladeshi men (83%) was slightly higher than the average for the white male population (82%). By contrast, the economic activity rate for Bangladeshi women was 22%, around a third of the rate for white women, indicating that individuals from some

minority ethnic groups appear to have particularly low rates of economic activity with strong variations across genders. [2]

Employers have a key role to play in ensuring that the work environment is free of prejudice and steps are taken to deal with racism should it occur. Along with the general actions which need to take place i.e. policies and strategies, open and fair recruitment systems, ensuring that BME employees are able to access training and promotion opportunities, support structures are needed to combat the isolation some BME employers might experience in a predominantly white culture, along with accommodation and understanding of different cultural needs. A denial of cultural identity in order to fit in should not be a prerequisite for employment or advancement.

The creation of the right opportunities to fit with individuals' needs are necessary to ensure their participation in the labour market. People who are excluded from mainstream provision often lack the skills to communicate their needs effectively, which leads to further isolation. The linguistic medium and accessible formats in which opportunities are presented can have a direct effect on participation, especially by people whose language is Welsh or another language, or because of a need to communicate using alternative methods.

While there is limited evidence on the economic impact of migrant workers from the accession countries, research[3] shows that immigration from EU accession countries to the UK appears to have eased bottlenecks in the labour market, increased the flexibility of the labour force and eased inflationary pressure points on the economy. A study[4] investigating the impact of free movement of workers from Central and Eastern Europe on the UK labour market found that there is no evidence to suggest that A8 migration has been a contributor to the rise in claimant count unemployment. Indeed, the study's evidence suggests that overall the economic impact of migration from the new EU Member States has been modest, yet broadly positive. This fact however, is often lost in the rhetoric about this group of workers and there is evidence, which suggests that migrant workers, those from Central and Eastern Europe and those from non-European countries, are amongst the most vulnerable and poorly paid workers in the UK economy, with many having limited rights if treated unfairly at work, because of fear of losing their jobs.[5]

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[2] Sixth Annual Equality of Opportunity Report 2004-2005 Welsh Assembly Government http://www.wales.gov.uk/assemblydata/N000000000000000000000000040106.pdf

[3] Ernst and Young ITEM Club (2006) Economic Outlook for Business: Spring 2006 issue no. 35: http://www.ey.com/global/download.nsf.UK.EconomicOutlookforBusiness04-06/$file/EYITEM EconomicOutlookSpringApr06.pdf

[4] Gilpen.N et al. The Impact of Free Movement of Workers from Central and Eastern Europe on the UK Labour Market, 2006. A report of research carried out on behalf of the Department for Work and Pensions: http://www.dwp.gov.uk/asd/asd5/wp29.pdf

[5] Citizens Advice Bureau http://www.citizensadvice.org.uk/index/pressoffice/press_index/press-040227.htm

(b) Gender Equality for Women and Men

The European Commission Roadmap for equality between women and men 2006–2010 outlines six priority areas for EU on action on gender equality along with priority objectives and actions[6]. The Roadmap builds on the experience of the Framework Strategy for Equality between Women and Men for the period 2001–2005[7]. It combines the launch of new actions and the reinforcement of successful existing activities. It reaffirms the dual approach of gender equality based on gender mainstreaming (the promotion of gender equality in all policy areas and activities) and specific measures.

Whereas significant progress has been made towards gender equality, with many women attaining the highest levels in education, the labour market and becoming important players in public life, inequalities still remain and may widen, as increased global economic competition requires a more flexible and mobile labour force. This can impact more on women, who are often obliged to balance the demands of having children or a career, due to a lack of flexible working arrangements and care services, the persistence of gender stereotyping and an unequal share of family responsibilities. Progress made by women, including in key areas of the Lisbon Strategy such as education, and research, are not fully reflected in women's return to work[8].

The Lisbon targets call for a 60% employment rate for women by 2010. In West Wales and the Valleys the female employment rate has increased for each age bracket, with the rise particularly pronounced for those aged 35–59. This compares to a fall in employment rates of prime working age males across West Wales and the Valleys of some 1.1% between 2001 and 2004 compared to an increase of 1.4% for females.

Despite the UK having had legislation on equal pay since 1970, women in the UK earn on average 19% (full-time pay) less than men[9].

Table 32 - Female hourly earnings excluding overtime as a percentage of male hourly earnings

	1999	2000	2001	2002	2003	2004 (a)	2005 (a)
West Wales and the Valleys	86.7	85.6	89.6	87.0	88.6	89.8	88.0
East Wales	83.6	85.7	84.0	82.6	85.0	84.0	88.3
Wales	85.2	85.5	86.8	84.8	86.5	86.7	87.9
UK	79.5	79.7	80.0	79.9	80.6	82.2	82.8
UK excluding London and the South East	80.5	80.8	81.3	81.2	82.0	83.9	84.6

[6] The European Commission's Roadmap for equality between men and women: http://www.europa.eu.int/comm/employment_social/news/2006/mar/com06092_roadmap-en-pdf

[7] Framework Strategy for equality between women and men 2001–2005: http://wwwec.europa.eu.int/comm/employment_social/gender-equality/index-en.html

[8] The European Commission Roadmap for equality between men and women.

[9] Equal Opportunities Commission: http://www.eoc.org.uk/pdf/wmpayandincome2003.pdf

This persistent pay gap results from direct discrimination against women, structural inequalities, such as segregation in sectors, occupations and work patterns, access to education and training, biased evaluation and pay systems, and stereotypes. The average difference between male and female earnings across the UK is greater than across the average for the EU25. In 2004, average gross hourly earnings for females were some 78% of the average male rate, compared to 85% across the EU25. The gender pay differential in West Wales and the Valleys is less than in the UK, but both women and men earn less than the UK average. It is also worth noting that the 12% pay gap rises to 31% for part-time women and despite the improvements Welsh women have seen in earnings, a pay differential still exists. Tackling the problem of the gender pay gap will need an approach that is multifaceted and brings together different partners.

Across the EU, women constitute on average 30% of entrepreneurs, and often face more difficulty than their male counterparts in starting up businesses and in accessing finance and training. In Wales there has been a 20% decrease in entrepreneurial activity among women, while the gender gap between male and female entrepreneurial activity has widened in recent years. It has been suggested that if Wales had the same proportion of women involved in new business ventures as men, then almost 30,000 new businesses would have been created in 2005[10]. The *EU Entrepreneurship Action Plan* recommends increasing women's business start-ups via better access to finance and the development of entrepreneurial networks.

The participation of women in science, technology and management can contribute to increasing innovation, quality and competitiveness of scientific and industrial research, and therefore needs to be promoted. In order to reach the European Research Council's 7th Framework programme's target of 25% women in leading positions in public sector research, innovative mechanisms need to be found and progress monitored.

It is important to ensure that women retain lifelong contact with the labour market where they wish to do so, break out of stereotypical employment roles and learn new skills. Opportunities in the labour market are still shaped by gender. Indeed, the labour market is characterised by horizontal, vertical and contractual segregation. The Equal Opportunities Commission's (EOC) investigation into occupational segregation demonstrated that recruiting from only half of the labour force limits opportunities for individuals, businesses and the economy overall. Employers are missing out on much needed talent and are struggling to fill vacancies. In the construction industry, for example, two out of five vacancies are the result of skill shortages, nearly twice the national average. Only one in 100 construction workers are women, demonstrating that there are missed opportunities[11]. Seven in ten employers in engineering,

[10] Global Entrepreneurship Monitoring GEM University of Glamorgan and UWCC: www.gemconsortium.org/document.asp?id=436

[11] EOC Commissioned report into Occupational Segregation, Skills Gaps and Pay Gaps, Miller et al 2004: http://www.employment-studies.co.uk/summery/summery.php?id=eccwps15

childcare and IT stated that taking on more recruits of non-traditional sex could help them meet skills shortages[12]. The EOC have concluded that gender imbalance not only still exists, but also that both small and larger workplaces in Wales are more segregated than those in England and Scotland.

Women and men also tend to work in different industries. For example, within West Wales and the Valleys, women are over represented in service sector industries[13]. Some 75% of Welsh women work in cleaning, catering, caring, clerical and customer services. Added to the horizontal segregation is the tendency for women and men to work at different levels within the same industries. In the NHS in Wales 75% and 20% of all staff and hospital consultants, respectively, are women. To combat this labour market segregation, it is important to facilitate women's entry into non-traditional sectors, to promote men's presence in sectors traditionally occupied by women and to explore the reasons behind why women do not progress in employment.

Girls significantly out-perform boys at GCSE level, with more and higher-grade qualifications. In higher education, the balance has shifted to the point where the majority of full-time undergraduate and post-graduate students are female[14]. However, the pay gap continues due, in part, to job segregation.

Girls and boys continue to make traditional career choices in line with their peers and gender expectations. Focus needs to be placed on combating gender stereotypes from an early age, providing awareness training to teachers and students and encouraging young women and men to explore non-traditional educational paths. Combating gender stereotypes within the school setting may also help with the struggle many gay and lesbian pupils face in mainstream education[15].

Europe is facing a shrinking working age population, low birth rates and a growing, older population. More flexible working practices will not only help boost productivity, but will also enable people to enter and remain in the labour market. Work-life balance arrangements form an essential part in addressing the challenges of demographic decline, including the need to offer more affordable and accessible childcare facilitates, as required by the Barcelona targets, and provide services that meet the care of the elderly and other groups of special interest.

Many mothers and carers work part-time for low pay; they cannot find higher skilled work in line with their abilities that is compatible with family responsibilities, and could contribute more to economic productivity. This is a vicious circle, which compels fathers to work long hours and is a barrier to

[12] Ibid.
[13] Public Administration, Education and Health, Distribution, Hotels and Restaurants and Banking, Finance and Insurance.
[14].Ibid
[15] The Bullying of Sexual Minorities at School: Its nature and long term correlates, Rivers I 2001

men taking on caring responsibilities. Women remain the main carers of children and dependants, and where reconciliation policies are available men are still slow to take up opportunities, such as parental leave or part time work. There is also evidence that part-time workers have less access to training opportunities which has the impact of restricting progression in employment.

An ageing population makes it increasingly likely that more people will be taking on the role of help and support for older people. The challenge is to allow carers to balance work and family life so that they can work to their full potential, especially if Wales is to meet the UK target of 80% employment[16].

[16] UK Employment Targets: http://www.hm-treasury.gov.uk

EQUALITY MATRIX

An analysis has been undertaken of the intended impact of supported activities on the Convergence programme's equal opportunities objectives. This is represented in the form of matrix table for each of the ESF priorities and themes.

ESF Priority 1: Supplying young people with the skills for learning employment

Theme **Equal Opportunities objective**	**Tackling Under achievement**	**Raising Skills and Aspirations**
Increase the number of individuals who have multiple disadvantages accessing employment and self employment.	Support for specific interventions for young people, particularly those at risk of NEET including school and community based provision. Types of activity could include: work related activities, confidence raising, advice and guidance, careers information, confidence and skills training, environmental awareness and social responsibility. Support for mentoring and advocacy schemes. Mechanisms that support independent learning.	Targeted support for the development of work related skills for new labour market entrants. Support mechanisms for young people to develop their careers, including work experience opportunities and volunteering. Innovative interventions which ensure all young people including those facing multiple disadvantage have access to a full range of vocational and academic opportunities, including community based learning.

	Support for schemes which encourage and enable volunteering within the community, Support for collaboration between FE/HE, schools and work based provision. Support for professional development schemes for those working with young people who face multiple inequalities.	Support for collaboration activities between sectors, which encourage young people to take science, technology, engineering and mathematics. Support for mechanisms that raise awareness of the benefits of higher education, including mentoring and role model schemes.
Increase the number of women, Black and minority ethnic people and disabled people securing training and employment in higher paid and higher skilled sectors and self employment	Specifically targeted support for disadvantaged young people and those facing multiple barriers, including mentoring and advocacy schemes. Support for collaborative working mechanisms between professionals to develop new recognised qualification.	Support mechanisms for young people to develop higher level learning schemes. Innovative interventions which ensure all young people including those facing multiple disadvantage have access to a full range of vocational and academic opportunities. Support for mechanisms that raise awareness of the benefits of higher education, including mentoring and role model schemes. Support mechanisms for young people to develop their careers, including work experience opportunities and volunteering. Support for innovative study programmes.

Challenge occupational segregation by increasing the number of women and men training or re-training in non-traditional areas, focusing on areas where there are skill shortages	Specific targeted support for young people, especially around non-traditional areas of work and stereotyping. Support for collaborative working mechanisms between professionals to develop new recognised qualification.	Support mechanisms for young people to develop their careers, especially in non traditional areas. Support for collaboration activities between sectors, which encourage young women to take up science, technology, engineering and mathematics. Support for mechanisms that raise awareness of the benefits of higher education, including mentoring and role model schemes. Support mechanisms for young people to develop their careers, including work experience opportunities and volunteering.
Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring systems and methods of feeding in improvements	Support for delivery partners who are developing and/or improving their equal opportunities policy and practices.	Support for activities which raise employers awareness of the need to challenge traditional assumptions and stereotypes, especial in relation to an individuals limitation/s.

ESF Priority 2: Increasing employment and tackling economic inactivity

Theme **Equal Opportunities objective**	**Helping people into sustainable employment**	**Helping people to remain in work**
Increase the number of individuals who have multiple disadvantages accessing employment and self employment .	Additional support for people to move into employment: advice on learning and employment opportunities, job search, financial incentives, work experience, voluntary work and work placements. Support for services for those at risk of redundancy. Specialist support for disabled people and those with work-limiting health conditions. Collaborative work with other agencies, including GPs and health professionals. Support for employers to employ and retain disabled people and people with health-limiting conditions. Support for healthier lifestyles, including targeted support for people with drug and alcohol problems.	Support for workplace health programmes. Targeted support, on health related issues for older workers, to assist them to remain in employment. Support for targeted mentoring services on health related issues, for groups facing multiple disadvantage to assist them to remain in employment.

	Support for childcare measures and other care responsibilities. Support for innovative solutions to overcome transport barriers, including home working and flexible training. Support for older workers to re-skill and remain within the labour market.	
Increase the number of women, Black and minority ethnic people and disabled people securing training and employment in higher paid and higher skilled sectors and self employment	Support specialist community engagement to encourage people to consider achieving higher level skills. Measures which support graduates compete effectively for higher value added jobs.	Support for targeted mentoring services on health related issues, for groups facing multiple disadvantages.
Challenge occupational segregation by increasing the number of women and men training or re-training in non-traditional areas, focusing on areas where there are skill shortages	Support for childcare measures and other care responsibilities. Support for targeted actions which enable women and men to take up non traditional employment roles. Support for innovative solutions to overcome transport barriers, including home working and flexible training. Support for older workers to re-skill and	Support for targeted mentoring services for women and men on health related issues, to assist them to remain in employment.

	remain within the labour market. Measures which support graduates compete effectively for higher value added jobs. Support specialist community engagement for people to consider achieving higher level skills.	
Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring systems and methods of feeding in improvements	Support for employers to widen their recruitment pool and offer work placements to disadvantaged groups. Support for employers to develop and monitor equal opportunities policies and practices, including flexible working practices. Support for joint activities which promote equality and diversity in employment.	Awareness raising and general support for employers to encourage those experiencing health issues to remain in employment, for example, through flexible working practices. Support for employers to develop and monitor equal opportunities policies and practices. Support for joint activities aimed at health and disability awareness and management. Support for activities which raise awareness of corporate responsibility especially in the area of equal opportunities.

ESF Priority 3: Improving skills levels and the adaptability of the workforce

Theme **Equal Opportunities objective**	**Raising the skills base of the workforce**	**Skills for the knowledge economy: higher level skills and systems for workforce development**	**Promoting gender equality in employment**
Increase the number of individuals who have multiple disadvantages accessing employment and self employment.	Support to raise the levels of literacy, numeracy and ICT skills of those in employment. Support for language training for non-native speakers of Welsh / English where employment opportunities in the local labour market would be enhanced, including language skills for migrant workers. Support for the provision of opportunities for low skilled workers and those needing generic skills to progress. Targeted support for older workers and those who need to make career changes to help them remain economically active.	Support for activities which assist individuals to transfer their skills, especially into areas where there are skill shortages.	Support for young people in order to raise awareness of gender stereotyping. Targeted support to remove barriers to full participation within learning and employment, including vocational training.

Increase the number of women, Black and minority ethnic people and disabled people securing training and employment in higher paid and higher skilled sectors and self employment	Language training support for non-native speakers of Welsh / English to enhance their employment opportunities in the local labour market. Support for flexible provisions to enable individuals to progress in employment; i.e. learning opportunities. Support for targeted interventions which address barriers specific groups experience accessing training and employment in higher skilled sectors. Support for the development of technology based support packages aimed at diverse groups and learning styles	Targeted activities that support women, BME and disabled people to overcome the barriers to gaining higher level skills. Targeted support for women, BME and disabled graduates to gain employment market skills. Entrepreneurship support among higher level women, BME and disabled graduates. Support for those in work and business owners to develop higher level skills.	Targeted support to remove barriers to women's full participation in employment, training and education, including apprenticeship schemes, women into science and technology, management schemes and female entrepreneurship schemes. Support for specialist employment advice for women who face multiple disadvantages; i.e. BME women, disabled women, lesbian women and older women.
Challenge occupational segregation by increasing the number of women and men training or re-training in non-traditional areas, focusing on areas where	Targeted support for those who need to make career changes to help them remain economically active or move into non-traditional areas of work.	Support to raise awareness of the potential and provide the opportunities for women to move into science, technology, engineering, construction and management.	Support for career advice that challenges gender stereotyping. Targeted support to remove barriers to women's full participation in employment, training and education,

there are skill shortages	Support for targeted interventions which address barriers specific groups experience accessing training and employment in higher skilled sectors.		including apprenticeship schemes, women into science and technology, management schemes, and female entrepreneurship schemes. Support for specialist employment advice for women who face multiple disadvantages; i.e. BME women, disabled women, lesbian women and older women. Support for specialist employment advice through the medium of Welsh to increase the employability of Welsh speaking women. Support for child / adult care provision in order to meet the needs of the working carer.
Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring	Support for employers and SMEs to develop and deliver enhanced management development activities, which include strategies for equal opportunities.	Support for equality awareness raising and training among employers and employees.	Support for employers to develop management tools that enable women to more readily progress their careers. Support for employers to

systems and methods of feeding in improvements			develop strategies and management tools for work-life balance solutions. Support for employers and learning providers to develop mechanisms that challenge traditional attitudes to male and female employment.

ESF Priority 4: Making the Connections, Modernising and Improving the Quality of our Public services

Theme **Equal Opportunities objective**	**Transforming Public Services Through More Effective Collaborative Working**	**Building the Capacity of Public Service Sectors to Deliver Higher Quality Services.**
Increase the number of individuals who have multiple disadvantages accessing employment and self employment.	Support for mechanisms that provide open and accessible routes to public information.	
Increase the number of women, Black and minority ethnic people and disabled people securing training and employment in higher paid and higher skilled sectors and self employment		
Challenge occupational segregation by increasing the number of women and men training or re-training in non-traditional areas, focusing on areas where there are skill shortages		

Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring systems and methods of feeding in improvements	Support for employers to develop and monitor equal opportunities policies and practices, including flexible working practices. Support for activities which aim to build in equal opportunities at the procurement stage.	Support for managers to develop and deliver enhanced management development activities, which include strategies for equal opportunities. Support for joint solutions aimed at workforce development and corporate responsibility especially in the area of equal opportunities.

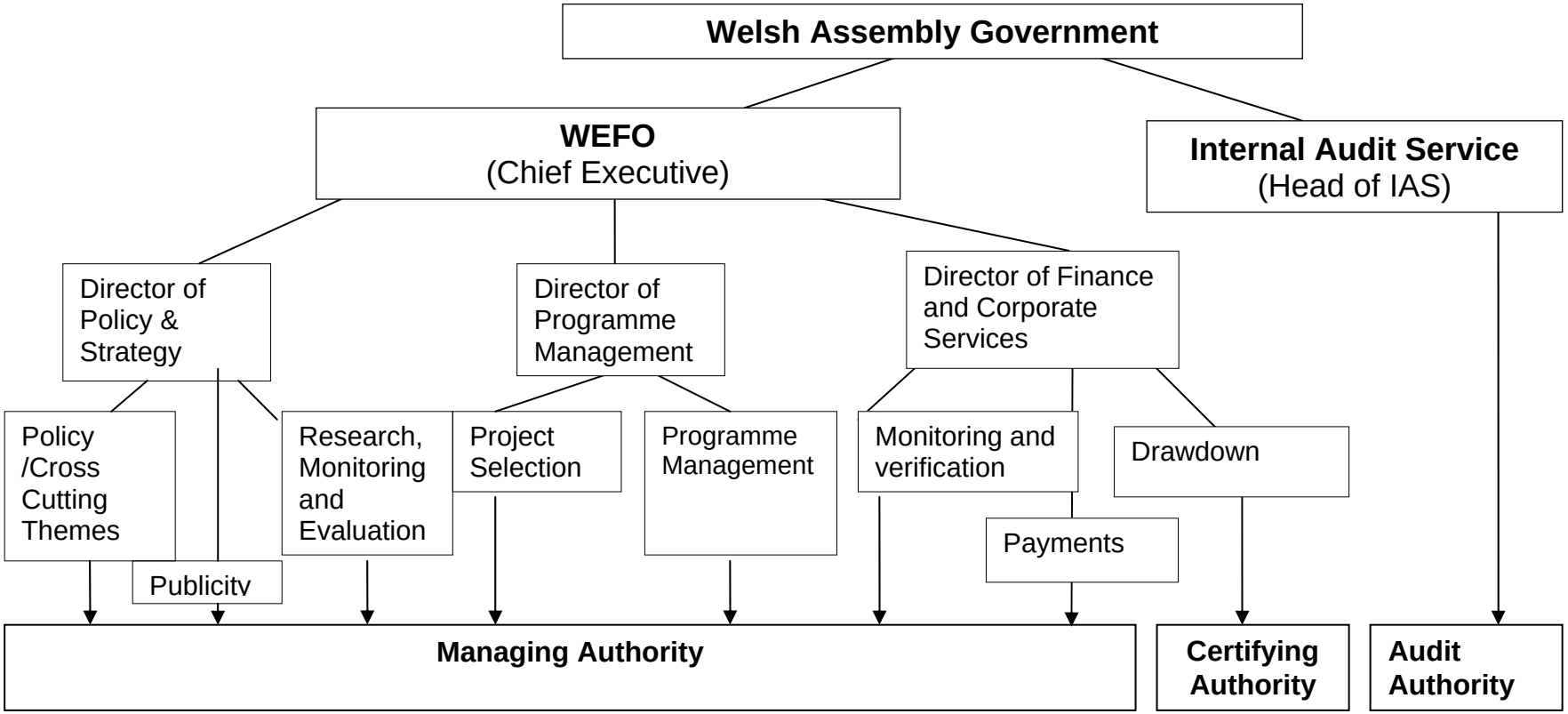
ANNEX E – ENVIRONMENT MATRIX

ESF Convergence Programme : Analysis of the effects of the 4 Priorities on the Environmental Sustainability objectives

P1: Supplying young people with the skills needed for learning and future employment	**P2: Increasing employment and tackling economic inactivity**	**P3: Improving skills level and the adaptability of the workforce**	**P4: Modernising and improving the quality of our public services - Making the Connections**
Positive effects of promotion of initiatives which promote improved understanding of sustainable development, contributing to improved life skills and of benefit in preparing young people for learning and future employment Small scale educational infrastructure projects will be encouraged to achieve high standards of environmental performance. Development on existing sites (brownfield) will be encouraged.	Positive effects of support for improving awareness and understanding about the environment, and environmental recreation that promotes healthier lifestyles and the role of individuals and businesses to protect and improve the environment.	Positive effect of the development of new training and education programmes to fill gaps in provision to deliver specialist environmental sustainability skills Small scale educational infrastructure projects will be encouraged to achieve high standards of environmental performance. Development on existing sites (brownfield) will be encouraged.	Positive effects of increasing the knowledge and skills relating to improve resource efficiency including the use of environmental management systems to improve the environmental performance of public services. Positive effect of dissemination of best practice in environmental management and improvements in resource efficiency to reduce costs and carbon emissions.
Across all Priorities Negative impacts of increased transport can be minimized by sensitive location of training course and outreach provision where appropriate. Potential increase in use of energy and raw materials will be offset through promotion of energy efficiency, recycling and environmental management systems. Positive effect of integrating sustainable development into supported awareness raising, training and education programmes			

ANNEX F – ORGANOGRAM

Welsh Assembly Government – Organogram Showing Structural Fund Authority Responsibilities



Note: Responsibilities are allocated so as to ensure appropriate separation of functions in accordance with the principles of sound financial management

ANNEX G - INDICATIVE LIST OF STRATEGIC FRAMEWORKS

Supplying young people with skills for learning and future employment
(ESF Priority 1: Themes 1 & 2)

Providing young people with the skills needed for employment, including school and community based interventions to tackle under-achievement and support for disadvantaged young people.

Co-ordinating Organisation*:* Department for Education, Culture and Welsh Language

Increasing Employment and Tackling Economic Inactivity
(ESF Priority 2: Themes 1 & 2)

Helping more people into work through active labour market interventions, addressing barriers to employment, including promoting healthier lifestyles, and helping people to remain in work by reducing the risk of becoming unemployed or moving into long-term inactivity.

Co-ordinating Organisation: Dept for Education, Culture and Welsh Language supported by Dept for Economy & Transport, Department for Health and Social Services (DHSS), Office of the Chief Medical Officer (OCMO) and Job Centre Plus.

Improving the skills base of the workforce
(*ESF Priority 3: Theme 1)*

Improving basic skills in literacy, numeracy and ICT and helping low skilled workers to gain the skills and qualifications to improve their employability and support progression in employment

Co-ordinating Organisation: Dept for Education, Culture & Welsh Language supported by Dept for Economy & Transport

Workforce development and learning systems: Skills for the Knowledge Economy
(ESF Priority 3: Theme 2)
Improving systems for workforce development, addressing skills gaps and shortages, targeted support for higher level skills development and supporting the adaptability of workers and businesses.

Co-ordinating Organisation: Dept for Education, Culture & Welsh Language supported by Dept for Economy & Transport.

Gender equality in employment
(ESF Priority 3: Theme 3)

Promoting gender equality in employment and tackling the causes of the gender pay gap, including segregation in the labour market

Co-ordinating Organisation: Dept for Education, Culture & Welsh Language

Modernising and improving the quality of our public services - Making the Connections

(ESF Priority 4: Themes 1 & 2)

Transforming public services through more effective collaborative working and building capacity to deliver higher quality services

Co-ordinating Organisation: Department of Public Services and Performance (DPSP) - Making the Connections Team, supported by Public Services Management Wales (PSMW)

ANNEX H – STRATEGIC FRAMEWORK CO-ORDINATOR RESPONSIBILITIES

Strategic Framework co-ordinators will be responsible for:

- working with partnerships to develop, review and maintain the Framework

- working with the Spatial European Teams to ensure effective spatial input to the Framework;

- securing agreement with the Managing Authority on the shape and content of the Framework in respect of its contribution to the Programme Priority;

- disseminating information about the Framework and promoting its aims and objectives;

- encouraging new and innovative approaches to delivering on Framework objectives;

- encouraging joined-up action on project development;

- handling enquiries about the Framework, together with the Managing Authority staff, and discussing project ideas with prospective sponsors;

- advising on an overall evaluation plan for the Framework and assisting the Managing Authority's Research, Monitoring and Evaluation Branch in the planning and implementation of evaluation exercises; and

- working with partnerships to develop, review and maintain the Framework.

ANNEX I – FINANCIAL FLOWS AND CONTROLS

West Wales and the Valleys ESF Convergence Programme OP 2007-13

The Financial Flows and Controls

Court of Auditors	EU Commission	Pays ESF Funds to HM Treasury, Paymaster General Account, Bank of England, London for the purpose of reimbursing ESF expenditure actually incurred
	HM Treasury	Notifies WAG Finance Division (Cardiff) that ESF monies are being held for Wales
	WAG Finance (Cardiff) Confirms amounts with Welsh European Funding Office (Corporate Finance Unit)	Arranges transfer to Paymaster General's Account, Welsh Assembly Government.
Audit Authority Internal Audit Unit, Finance Division, Welsh Assembly Government. Conduct systems audits of WEFO procedures. Perform a sample of on-site financial control checks of Final Beneficiaries	Certifying Authority Corporate Finance Unit, Welsh European Funding Office. Functionally independent of Managing and Audit Authorities.	Examines ESF expenditure declaration from Managing Authority and certifies payment claim to EU Commission for drawdown of ESF funds. Ensures debts are recorded and pursued appropriately.
	Managing Authority WEFO Arrangements for verification checks by Managing Authority and systems audits by Internal Audit Unit	Certifies payment claims from final beneficiaries. Co-ordinates and reports irregularities. Ensures 100% expenditure is subjected to independent audit certification by appropriately qualified accountant and checks by Monitoring and Verification Team.
Match Funding Organisations – WAG Groups, Local Authorities, AGSPBs, Further and Higher Education, Private Companies and Voluntary Organisations	Final Beneficiaries	Carries out work and submits claims for payment to the Managing Authority. Ensures all payment claims are supported by receipted invoices and accounting documents.

ANNEX J – SUMMARY OF THE MONITORING AND EVALUATION PLAN

1. Introduction

This annex supplements the information provided in the Implementation Chapter on monitoring and evaluation and provides the link to the full Monitoring and Evaluation Plan. The technical components of monitoring and evaluation are provided in the full plan.

The Monitoring and Evaluation Plan will be published on the Managing Authority website and will be updated at appropriate intervals. It will be developed in consultation with the Evaluation Advisory Group. The plan will be considered by the Programme Monitoring Committee. Section four of the Plan contains a two year forward work programme. This will be updated as work progresses.

2. Monitoring

As indicated in the OP, the approach taken to monitoring is two-fold: to monitor the context in which the Programme is being implemented; and to monitor specific and attributable outputs to the Programme, against which projects will report.

The Operational Programmes contain both high-level tracking indicators (context indicators) and Programme-level indicators (at Priority level, some of which are aggregated to Programme level).

The high-level tracking indicators are derived from the short-listed Lisbon Structural Indicators and the Welsh Assembly Government's economic development strategy, Wales: A Vibrant Economy. They are used to monitor changes in the socio-economic context of the programme and will be reported against where appropriate in the Annual Implementation Report. These are to enable the PMC and others assess the changing economic context in which the Programme is being delivered and to form a background for assessment of progress.

Programme indicators relate to the effects of the intervention. They fall into three categories: output; result; and impact, and are linked together in a logical chain. These indicators are set at Priority level and they have been selected carefully to reflect the breadth of individual Priorities, while focusing on the key Priority objectives and the Cross Cutting Themes. They are to enable the Managing Authority, PMC and others to make an assessment of the direct contribution of the Programme. Projects will be required to select all the relevant indicators from those available within the Priority from which they are being funded and they will be given direction in this by the Managing Authority. The timescales and relevant milestones for reporting the monitoring data will be agreed with the Managing Authority when

the project is being developed. Projects will report their monitoring data through the new PPIMS database, further details of PPIMS are given in the Implementation Chapter.

Projects will be required, where relevant, to provide participant-level and enterprise-level information to the Managing Authority. To facilitate the collection process, the Managing Authority will provide projects with a template for the collection of participant details. This should allow project level databases to interface with the PPIMS database. The participant, and enterprise, database will allow the Managing Authority to capture a significantly greater depth of data than is currently collected and to allow reporting of the category breakdowns required under Article 66(2) and Annex XXIII of the Implementing Regulation.

Article 66 states that the Managing Authority and the Monitoring Committee will carry out the monitoring by reference to the financial indicators and the indicators referred to in Article 37(1)(c), and specified in the OP under the Priority Axes.

The Managing Authority will report to the PMC for it to be able to satisfy itself as to the effectiveness and quality of the implementation and achievement of all the OPs. The style and types of reports required, along with the reporting timeframes, will be subject to consultation with the PMC. In accordance with Article 67, WEFO, as the Managing Authority, will submit electronically an Annual Implementation Report to the Commission within six months of the end of each full calendar year of implementation. The Annual Implementation Report will be considered and approved by the Programme Monitoring Committee, in accordance with Article 65(d). The first report will be provided to the Commission by 30 June 2008.

3. Evaluation

Three levels of evaluation are planned for the Programmes. These are: Programme level; strategic framework; and project level. Each of these evaluation types will have distinctly different approaches but it is important to ensure that there is some commonality between the evaluations so that any issues arising are able to be examined in their entirety - see Section 3(c).

(a) Programme level evaluation

Articles 47 and 48 require the Managing Authority to ensure that evaluation of the Programme is undertaken, including evaluations at Priority level, as appropriate. The evaluations will assist with Programme implementation and will focus on both strategic (policy) and operational (process) needs and will help to improve the quality, effectiveness and consistency of the assistance.

The Programme level evaluations will address the following issues:

- **Relevance:** are the Programme objectives appropriate?

- **Effectiveness:** have the objectives of the Programme been achieved?
- **Efficiency:** is the Programme cost-effective and what sort of value for money is being achieved?
- **Utility:** have the needs of the target groups been met or could more be done?
- **Sustainability:** will the Programme effects be sustained?
- **Synergy:** has the Programme complemented and enhanced the effects of related European and domestic policies and interventions?

Evaluation will be undertaken on a more flexible basis in the 2007-2013 Programmes in accordance with the Commission's emphasis on on-going evaluation. In practice, this means that the evaluation will be more demand driven, responding to policy and programme needs as opposed to regulatory imperatives.

These evaluations will be linked to Programme monitoring, in particular where Programme monitoring reveals a significant departure from the initial goals. Evaluation will also be undertaken where it is intended to substantially alter the design of the Programme or where there are any notable changes in the external environment. Programme level evaluation will be integrated throughout Programme delivery with the results of the evaluations potentially leading to changes in the scope or delivery of certain Priorities. In accordance with Article 48(3) the results of these evaluations will be sent to the Programme Monitoring Committee, the Commission and published on the website.

The Managing Authority has set out the following key principles to guide the potential areas of investigation through the on-going evaluation process.

- The need to investigate potential areas of risk. These areas reflect Programme activities which are ambitious, for example by their innovative nature or their dependence on external factors or demand or because the indicators themselves are experimental.

- Areas that lack of coverage through the routine monitoring system. This may be because indicators could not be identified or because their collection would entail a disproportionate resource requirement. This will be one of the first areas of work that is developed in close collaboration with the Evaluation Advisory Group.

- Areas which are substantially over-achieving or under-achieving on targets. This may be because of a change in the external conditions or could reflect a need to amend the targets.

The responsibility for considering the launch of an evaluation relating to a departure from the profiled targets lies with the Managing Authority. The Managing Authority acknowledges this is a complex area which encompasses more than simply relying

on trigger points. Further guidelines will be developed in conjunction with the Evaluation Advisory Group.

The linkages between evaluation and Programme decision-making and the external context will be facilitated by a proactive approach to evaluation. This will involve evaluators having a regular dialogue with policy and Programme stakeholders through the Evaluation Advisory Group, PMC and other fora.

The Ex Ante Evaluations (Article 48) for the Convergence Programmes (ERDF and ESF) were undertaken to ensure that resources are allocated optimally and to maximise the quality of plans for Programme implementation. It was an interactive process, with the consultants commenting on early drafts of Programme documents and revisions being made in light of these comments.

The Ex Post Evaluation, described under Article 49(3), will be undertaken by the European Commission in close co-operation with the Managing Authority. It will cover the extent to which resources were used, the effectiveness and efficiency of programming, and the socio-economic impact. The evaluation shall aim to draw conclusions for the policy on economic and social cohesion. It will identify the factors that have had an influence on the success or otherwise of the Programme and identify good practice. This evaluation will be completed by the end of 2015.

An indicative list of potential Programme level evaluations is presented below. The Managing Authority will make final decisions on the evaluations that should take place during the programming period based on advice from the Evaluation Advisory Group. This list excludes the Ex Ante and Ex Post evaluations discussed above.

The indicative activities are:

- A review establishing the effectiveness of implementation, administration and delivery of the Programmes, for example establishing the effectiveness of the Strategic Frameworks;

- On-going evaluation linked to a significant departure from the goals initially set out and to support Programme revisions;

- An overall assessment of the Programme outcomes which includes an evaluation of the impact of the Programmes in the areas such as: number of people helped into employment, number of people who gained qualifications, number of people helped into further learning, and the effectiveness of innovative activities. This work will complement the evaluation work linked to Strategic Frameworks;

- A consideration of the Cross Cutting Themes of Equal Opportunities and Environmental Sustainability. This may be achieved through a dedicated

research project to assess the integration of the Themes or considering the Cross Cutting Themes in other evaluations; and

- For ESF, annual surveys of participants from 2009 and a review of Priority 4 implementation progress and processes in 2010 and in 2012.

The Monitoring and Evaluation Plan includes details for the dissemination of findings. As a minimum all programme level evaluations will be presented to the PMC, sent to the Commission (Article 48(3)) and published on the Managing Authority website.

(b) Strategic Framework and project level evaluation

The Programme level evaluation activity will be complemented by project and Strategic Framework level evaluation. It is recognised that reporting against the monitoring indicators only provides a partial assessment of project progress and impact. For this reason the Managing Authority will strengthen its requirements for project and Strategic Framework level evaluation.

All project sponsors will be required to undertake or commission evaluations of their projects and have monitoring and evaluation plans agreed at the application stage. Strategic Frameworks will also be required to implement a monitoring and evaluation plan.

The Managing Authority will minimise the burden on projects while maximising the quality of the evaluation results and so the level and intensity of the evaluation activity will be proportionate to the size or risk of the project and will be agreed with the project sponsor at the development stage. Costs associated with undertaking evaluation will be deemed an eligible cost within project costs.

All project sponsors that are awarded £2 million grant or over (ESF or ERDF) for a single project and all projects involved in implementing ERDF-supported innovative or experimental actions as defined in the ERDF Programmes, as well as projects identified as Innovative under Article 7 of the ESF Regulation (1081/2006), will be required to have the project externally evaluated by independent contractors. Other projects will be expected to carry out or commission evaluation in line with the proportionality principle outlined in Article 13.

As a result of these enhanced requirements, guidance will be developed to assist with the development of evaluation plans and the selection of appropriate evaluation methods at the project development stage. This will build on guidance developed for the 2000-2006 Programmes. Where appropriate, the fieldwork tools that the Managing Authority used during the 2000 – 2006 Programmes will be made available to Strategic Frameworks and projects should they wish to use them.

Throughout the programming period the Managing Authority will ensure that the quality of a sample of project-level evaluations are assessed to ensure that the evaluations are of a suitably robust quality enabling project sponsors and other stakeholders obtain full value from evaluations.

The Managing Authority will work with Strategic Frameworks and projects to ensure that suitable evaluation governance procedures are developed.

(c) Linking the different levels of evaluation

It is important to ensure that the various levels of evaluation (Programme, Framework and project) will interact to maximise the benefit derived and prevent duplication. A set of common questions that projects within a specific strategic framework will be expected to consider will be developed with the framework co-ordinator. The questions will assist the framework-level evaluations by allowing a synthesis of the project evaluations within a particular framework.

4. Resources

Within the Managing Authority there is a dedicated research, monitoring and evaluation (RME) unit. RME will manage all the Programme level evaluation and provide advice and guidance for Strategic Framework level evaluation and also to projects. The resource will be strengthened to reflect these enhanced requirements. RME will provide the secretariat to the Evaluation Advisory Group. It will provide regular monitoring and evaluation reports to the PMC. The team will be part funded by Technical Assistance.

5. Planned activity for 2007/08

The key activity for the start of this period is the Ex Ante evaluations for all the Programmes and the Strategic Environmental Assessments for the ERDF Programmes.

Besides this there are four further tasks:

- To ensure that the EAG is formed;
- To agree the Monitoring and Evaluation Plan with EAG;
- To develop advice and guidance on monitoring and evaluation for strategic frameworks and projects;
- To support Strategic Framework Co-ordinators in developing their evaluation plans.

Annex K

All indicators and targets within this Operational Programme cover the whole Programme (Community, national public and national private funding) and are to be achieved by 2015.

Programme-level Indicators

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Total participants[1]	*1,103,000 total working age individuals, 2005 (Annual Population Survey)*	247,500**	Individual participant information	Annual reports and PMC meetings
Female participants[2]	*534,000 total working age female individuals, 2005 (Annual Population Survey)*	135,950	Individual participant information	Annual reports and PMC meetings
Economically inactive participants[3]	*291,000 working age economically inactive* individuals (Annual Population Survey, 2005)*	71,750	Individual participant information	Annual reports and PMC meetings
Unemployed participants[4]***	*45,000 unemployed individuals aged 16+ (Annual Population Survey, 2005)*	27,000	Individual participant information	Annual reports and PMC meetings
Employed participants[5]	*797,000 employed individuals, 2005 (Annual Population Survey)*	122,500	Individual participant information	Annual reports and PMC meetings
Employers assisted or financially supported[6]	*102,500 enterprises active, 2003 (WAG, 2004)*	20,060	Individual participant information	Annual reports and PMC meetings

[1] The number of individuals participating in this Programme
[2] The number of female participants participating in this Programme
[3] The number of participants who are economically inactive (excluding students) participating in this Programme
[4] The number of participants who are unemployed participating in this Programme
[5] The number of participants who are employed participating in this Programme

Collaborative agreements between public service bodies[7]	*N/A*	20	Individual participant information	Annual reports and PMC meetings
Participants entering employment[8]	*797,000 total employed individuals in WWV*	22,500	Individual participant information	Annual reports and PMC meetings
Participants gaining qualifications[9]	*905,000 working age individuals in with qualifications, 2005 (Annual Population Survey)* *224,000 economically inactive* and unemployed individuals with qualifications, 2005 (Annual Population Survey)*	75,030	Individual participant information	Annual reports and PMC meetings
Participants gaining a basic skills qualification [10]	*N/A*	41,400	Individual participant information	Annual reports and PMC meetings
Participants gaining a qualification at Level 2[11]	*N/A*	21,600	Individual participant information	Annual reports and PMC meetings
Participants gaining a qualification at Level 3[12]	*N/A*	8,400	Individual participant information	Annual reports and PMC meetings
Participants gaining a qualification at Level 4 and above[13]	*N/A*	3,600	Individual participant information	Annual reports and PMC meetings
Participants entering further	*157,000 working age enrolled on full*	51,000	Individual participant	Annual reports and

[6] The number of employers that receive assistance or financial support through this Programme
[7] The number of collaborative agreements between public service bodies secured through this Programme
[8] The number of participants entering employment following participation in this Programme
[9] The number of participants gaining a qualification as a result of participation in this Programme
[10] The number of participants gaining a basic skills qualification as a result of participation in this Programme
[11] The number of participants gaining a qualification at Level 2 as a result of participation in this Programme
[12] The number of participants gaining a qualification at Level 3 as a result of participation in this Programme
[13] The number of participants gaining a qualification at Level 4 or above as a result of participation in this Programme

learning[14]	*or part time education course, 2005 (Annual Population Survey)*	information	PMC meetings

*Economically inactive figures in the baseline include students
**Includes 35,000 Priority 1 participants who are in the 11-19 age group
***Unemployed participants includes individuals under formal notice of redundancy (data on the numbers of individuals identified as redundant can be provided separately as necessary)

[14] The number of participants entering further learning following participation in this Programme

Priority Level Indicators

Priority 1

The following indicators, relevant to the Priority, will be used to track the progress of projects and the Programme. The output and result indicators are monitoring indicators, which projects will be required to report against during the life of the project. The impact indicators are evaluation indicators and should be considered during project- and Programme-level evaluation.

In addition to reporting against these indicators, projects will be required to provide further monitoring information that underpins the indicators in order to meet Commission requirements as set out in Annex XXIII of the Implementing Regulations and to allow WEFO to assess the effectiveness of the Programme. In line with article 66(2) of the general regulation, monitoring information collected will allow for the breakdown of statistics by gender and size of the recipient undertakings, where appropriate.

Under the flexibility facility allowed for by Art 34(2) of Regulation (EC) 1083/2006, the ERDF indicator "Premises created or refurbished" will be available to capture ERDF activity funded through this Priority.

Baselines and targets are also presented in the table below. Unless stated, baselines are for West Wales and the Valleys. All targets are to be achieved by 2015.

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Outputs				
Total participants (11-19 year olds)	*248,500 10-19 year olds, 2005 (ONS, 2005)*	**35,000**	Individual participant information	Annual reports and PMC meetings
Female Participants	*120,900 female 10-19 year olds, 2005 (ONS, 2005)*	**40%**	Individual participant information	Annual reports and PMC meetings

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Key intervention groups:			Individual participant information	Annual reports and PMC meetings
11-13 year old participants	*73,616 11-13 year olds, 2005 (Stats Wales)*	**30%**		
14-19 year old participants	*152,000 14-19 year olds, 2005 (Stats Wales)*	**70%**		
NEET participants	*10,900 16-18 yr olds, not in education, training or employment (Annual Population Survey, 2005)*	**25%**		
Female participants receiving training in Maths, Science, Engineering and Technology	*41,220 entries at GCSE and vocational scientific, technology, mathematical, engineering subjects, 15 year old females (WAG, 2005/06)*	**3%**		
Employers collaborating with education/training providers	*N/A*	**500**	Individual employer information	Annual reports and PMC meetings
Systems developed	*N/A*	**-**	Project information	Annual reports and PMC meetings
Projects using soft outcome measurement systems	*N/A*	**50%**	Management information	Annual reports and PMC meetings
Projects integrating sustainable development into awareness raising, education and training programmes	*N/A*	**75%**	Individual participant information	Annual reports and PMC meetings
Results				

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants gaining qualifications – 11-19 year olds *Key intervention groups:*	*86,500 16-19 year olds with qualifications, 2005 (Annual Population Survey, 2005)*	**10,500**	Individual participant information	Annual reports and PMC meetings
14-19 year old participants	*86,500 16-19 year olds with qualifications, 2005 (Annual Population Survey, 2005)*	**-**		
NEET participants	*86,500 16-19 year olds with qualifications, 2005 (Annual Population Survey, 2005)*	**-**		
Female participants	*44,600 female 16-19 year olds with qualifications, 2005 (Annual Population Survey, 2005)*	**-**		
Female participants gaining qualifications in Maths, Science, Engineering and Technology	*24,100 entries achieved at grades A*-C at GCSE and vocational scientific, technology, mathematical, engineering subjects, 15 year old females (WAG, 2005/06)*	**3%**		
Qualification levels to be gained:	*Number of 16-19 year olds in WWV with qualifications at:*			
Basic skills	*Below Level 2 – 21,800*	**60%**		
at Level 2	*Level 2 – 40,800*	**25%**		
at Level 3	*Level 3 or above – 13,800* *(Annual Population Survey, 2005)*	**15%**		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants entering further learning – 16-19 year olds *Key intervention groups:*	*49,700 16-19 year olds enrolled at FEIs or sixth forms during the 2004/05 academic year (WAG)* *13,300 18-19 year old students at UK HEIs in 2005/06 (HESA)*	**21,000**	Individual participant information	Annual reports and PMC meetings
NEET participants	*49,700 16-19 year olds enrolled at FEIs or sixth forms during the 2004/05 academic year (WAG)* *13,300 18-19 year old students at UK HEIs in 2005/06 (HESA)*	**-**		
Female participants	*Not available*	**-**		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants gaining other positive outcomes[15] – 11-19 year olds		**31,500**	Individual participant information	Annual reports and PMC meetings
Key intervention groups:				
11-13 year old participants	*N/A*	**-**		
14-19 year old participants	*N/A*	**-**		
NEET participants	*N/A*	**-**		
Female participants	*N/A*	**-**		
Participants entering employment – 16-19 year olds	*45,400 16-19 year olds in employment (Annual Population Survey, 2005)*	**-**	Individual participant information	Annual reports and PMC meetings
Key intervention groups:				
NEET participants	*45,400 16-19 year olds in employment (Annual Population Survey, 2005)*	**-**		
Female participants	*23,000 16-19 year old females in employment (Annual Population Survey, 2005)*	**-**		
Impacts				
Participants in employment, education or training at 12 months	*N/A*	-	Evaluation	Annually from 2009

[15] Positive outcomes are intermediary outcomes, including: completing courses; entering voluntary work; and attending a job interview.

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants gaining part qualifications	*N/A*	-	Evaluation	Annually from 2009

The following table demonstrates the links between the output, result, and impact indicators.

Output ⇨	Result	Impact
Projects		
Participants *(11-19 year olds)*	Participants gaining qualifications Participants entering further learning Participants gaining other positive outcomes Participants entering employment	Participants in employment, education or training at 12 months
Employers collaborating with education/training providers		
Systems developed		
Projects using soft outcome measurement		

systems		
Projects integrating sustainable development into awareness raising, education and training programmes		

Priority 2

The following indicators, relevant to the Priority, will be used to track the progress of projects and the Programme. The output and result indicators are monitoring indicators, which projects will be required to report against during the life of the project. The impact indicators are evaluation indicators and should be considered during project- and Programme-level evaluation.

In addition to reporting against these indicators, projects will be required to provide further monitoring information that underpins the indicators in order to meet Commission requirements as set out in Annex XXIII of the Implementing Regulations and to allow WEFO to assess the effectiveness of the Programme. In line with article 66(2) of the general regulation, monitoring information collected will allow for the breakdown of statistics by gender and size of the recipient undertakings, where appropriate.

Under the flexibility facility allowed for by Art 34(2) of Regulation (EC) 1083/2006, the ERDF indicator "Premises created or refurbished" will be available to capture ERDF activity funded through this Priority.

Baselines and targets are also presented in the table below. Unless stated, baselines are for West Wales and the Valleys. All targets are to be achieved by 2015.

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Outputs				
Total participants	*1,103,000 total working age individuals, 2005 (Annual Population Survey)*	**115,000**	Individual participant information	Annual reports and PMC meetings
Female participants	*534,000 total working age female individuals, 2005 (Annual Population Survey)*	**51%**	Individual participant information	Annual reports and PMC meetings

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants – Economically inactive and unemployed	*336,000 total economically inactive* and unemployed individuals, 2005 (Annual Population Survey)*	**90,000**	Individual participant information	Annual reports and PMC meetings
Key intervention groups:				
Economically inactive	*291,000 working age economically inactive individuals (Annual Populations Survey, 2005)*	**70%**		
*Unemployed***	*45,000 unemployed individuals aged 16+ (Annual Population Survey, 2005)*	**30%**		
NEET participants	*10,900 16-18 yr olds, not in education, training or employment (Annual Population Survey, 2005)*	**-**		
Female participants	*177,000 total female economically inactive* and unemployed individuals, 2005 (Annual Population Survey)*	**52%**		
BME participants	*8,000 total non-white economically inactive* and unemployed individuals, 2005 (Annual Population Survey)*	**-**		
Older participants	*215,000 total economically inactive* and unemployed individuals aged 50+, 2005 (Annual Population Survey)*	**40%**		
Participants with work-limiting health condition or disability	*166,000 total economically inactive* and unemployed individuals with work-limiting health condition or disability, 2005 (Annual Population Survey)*	**55%**		
Lone parents	*40,000 claiming New Deal for Lone Parents in Wales (Job Centre Plus)*	**8%**		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants - Employed	*797,000 employed individuals, 2005 (Annual Population Survey)*	**25,000**	Individual participant information	Annual reports and PMC meetings
Key intervention groups:				
Participants with work-limiting health condition or disability	*107,000 employed individuals with disability aged 16+, 2005 (Annual Population Survey*	**100%**		
Participants receiving individualized assistance with work- limiting health conditions or disabilities	*N/A*	**4%**		
Participants receiving general assistance with work- limiting health conditions or disabilities	*N/A*	**96%**		
Female participants	*377,000 female employed individuals, 2005 (Annual Population Survey)*	**47%**		
BME participants	*9,000 non-white employed individuals, 2005 (Annual Population Survey)*	**-**		
Older participants	*215,000 employed individuals who are aged 50+, 2005 (Annual Population Survey)*	**27%**		
Employers assisted or financially supported	*102,500 enterprises active, 2003 (WAG, 2004)*	**5,000**	Individual employer information	Annual reports and PMC meetings

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants who receive support with caring responsibilities	*N/A*	-	Project information	Annual reports and PMC meetings
Projects using soft outcome measurement systems	*N/A*	**50%**	Management information	Annual reports and PMC meetings
Projects integrating sustainable development into awareness raising, education and training programmes	*N/A*	**75%**	Management information	Annual reports and PMC meetings
Results				

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants gaining qualifications – Economically inactive and unemployed	*224,000 economically inactive* and unemployed individuals with qualifications, 2005 (Annual Population Survey)*	**27,000**	Individual participant information	Annual reports and PMC meetings
Key intervention groups:				
Economically inactive	*190,000 working age economically inactive individuals with qualifications (Annual Population Survey, 2005)*	**-**		
*Unemployed***	*34,000 unemployed individuals aged 16+ with qualifications (Annual Population Survey, 2005)*	**-**		
NEET participants	*86,500 16-19 year olds with qualifications, 2005 (Annual Population Survey, 2005)*	**-**		
Female participants	*117,000 16+ unemployed and working age economically inactive female individuals with qualifications (Annual Population Survey, 2005)*	**-**		
BME participants	*7,000 16+ unemployed and working age economically inactive BME individuals with qualifications (Annual Population Survey, 2005)*	**-**		
Older participants	*73,000 unemployed individuals aged 50+ and economically inactive aged 50-retirement age with qualifications (Annual Population Survey, 2005)*	**-**		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants with work-limiting health condition or disability	*96,000 16+ unemployed and working age economically inactive disabled individuals with qualifications (Annual Population Survey, 2005)*	**-**	Individual participant information	Annual reports and PMC meetings
Lone parent	*Not available*	**-**		
Qualification levels to be gained:				
Basic skills	*N/A*	**55%**		
Level 2	*N/A*	**30%**		
Level 3	*N/A*	**10%**		
Level 4 and above	*N/A*	**5%**		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants entering employment – Economically inactive and unemployed	*797,000 employed individuals aged 16+, 2005 (Annual Population Survey)*	**22,500**	Individual participant information	Annual reports and PMC meetings
Key intervention groups:				
Economically inactive	*797,000 employed individuals aged 16+, 2005 (Annual Population Survey)*	**-**		
*Unemployed***	*797,000 employed individuals aged 16+, 2005 (Annual Population Survey)*	**-**		
NEET participants	*31,000 16-18 year olds in employment (Annual Population Survey, 2005)*	**-**		
Female participants	*377,000 employed female individuals aged 16+, 2005 (Annual Population Survey)*	**-**		
BME participants	*9,000 employed non-white individuals aged 16+, 2005 (Annual Population Survey)*	**-**		
Older participants	*215,000 employed individuals aged 50+, 2005 (Annual Population Survey)*	**-**		
Participants with work-limiting health condition or disability	*107,000 employed disabled individuals aged 16+, 2005 (Annual Population Survey)*	**-**		
Lone parents	*Not available*	**-**		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants entering further learning – Economically inactive and unemployed	*157,000 working age individuals enrolled on full or part time education course, 2005 (Annual Population Survey)*	**30,000**	Individual participant information	Annual reports and PMC meetings
Key intervention groups:				
Economically inactive	*157,000 working age individuals enrolled on full or part time education course, 2005 (Annual Population Survey)*	**-**		
*Unemployed***	*157,000 working age individuals enrolled on full or part time education course, 2005 (Annual Population Survey)*	**-**		
NEET participants	*49,700 16-19 year olds enrolled at FEIs or sixth forms during the 2004/05 academic year (WAG)* *13,300 18-19 year old students at UK HEIs in 2005/06 (HESA)*	**-**		
Female participants	*Not available*	**-**		
BME participants	*4,000 working age BME individuals enrolled on full or part time education course, 2005 (Annual Population Survey)*	**-**		
Older participants	*11,000 individuals aged 50 to statutory retirement age enrolled on full or part time education course, 2005 (Annual Population Survey)*	**-**		
Participants with work-limiting health condition or disability	*19,000 working age disabled individuals enrolled on full or part time education course, 2005 (Annual Population Survey)*	**-**		
Lone parents	*Not available*	**-**		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants gaining other positive outcomes[16] – Economically inactive and unemployed	*N/A*	**30,000**	Individual participant information	Annual reports and PMC meetings
Key intervention groups:				
Economically inactive	*N/A*	**-**		
*Unemployed***	*N/A*	**-**		
NEET participants	*N/A*	**-**		
Female participants	*N/A*	**-**		
BME participants	*N/A*	**-**		
Older participants	*N/A*	**-**		
Participants with work-limiting health condition or disability	*N/A*	**-**		
Lone parents	*N/A*	**-**		

[16] Positive outcomes are intermediary outcomes including: completing courses; entering voluntary work; and attending a job interview.

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Workplace health programmes	*N/A*	**200**	Project information	Annual reports and PMC meetings
Employers adopting or improving equality and diversity strategies and monitoring systems	*N/A*	**50%**	Individual employer information	Annual reports and PMC meetings

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Impact				

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants in employment at 12 months	*N/A*	**-**	Evaluation	Annually from 2009
Key intervention groups:				
Economically inactive	*N/A*	**-**		
*Unemployed***	*N/A*	**-**		
Employed[17]	*N/A*	**-**		
Female participants	*N/A*	**-**		
NEET participants	*N/A*	**-**		
BME participants	*N/A*	**-**		
Older participants	*N/A*	**-**		
Participants with work-limiting health condition or disability	*N/A*	**-**		
Lone parents	*N/A*	**-**		

[17] This refers to employed participants accessing Theme 2 support to enable them to remain in employment

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants gaining part qualifications	*N/A*	-	Evaluation	Annually from 2009

*Economically inactive figures in the baseline include students
**Unemployed intervention group includes individuals under formal notice of redundancy

The following table demonstrates the links between the output, result, and impact indicators.

Output ⇨	Result	Impact
Projects		
Participants *(Economically inactive and unemployed)*	Participants entering employment Participants gaining qualifications Participants entering further learning Participants gaining other positive outcomes	Participants in employment at 12 months
Participants *(Employed)*		Participants in employment at 12 months
Employers assisted or financially supported	Employers adopting or improving equality and	

	diversity strategies and monitoring systems	
Participants who receive support with caring responsibilities		
Collaboration between employers and health sectors	Workplace health programmes	
Projects using soft outcome measurement systems		
Projects integrating sustainable development into awareness raising, education and training programmes		

Priority 3

The following indicators, relevant to the Priority, will be used to track the progress of projects and the Programme. The output and result indicators are monitoring indicators, which projects will be required to report against during the life of the project. The impact indicators are evaluation indicators and should be considered during project- and Programme-level evaluation.

In addition to reporting against these indicators, projects will be required to provide further monitoring information that underpins the indicators in order to meet Commission requirements as set out in Annex XXIII of the Implementing Regulations and to allow WEFO to assess the effectiveness of the Programme. In line with article 66(2) of the general regulation, monitoring information collected will allow for the breakdown of statistics by gender and size of the recipient undertakings, where appropriate.

Under the flexibility facility allowed for by Art 34(2) of Regulation (EC) 1083/2006, the ERDF indicator "Premises created or refurbished" will be available to capture ERDF activity funded through this Priority.

Baselines and targets are also presented in the table below. Unless stated, baselines are for West Wales and the Valleys. All targets are to be achieved by 2015.

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Outputs				
Total participants (Employed)	*797,000 employed individuals aged 16+, 2005 (Annual Population Survey)*	**90,000**	Individual participant information	Annual reports and PMC meetings
Female participants	*377,000 employed female individuals aged 16+, 2005 (Annual Population Survey)*	**66%**	Individual participant information	Annual reports and PMC meetings

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Key intervention groups:			Individual participant information	Annual reports and PMC meetings
Older participants	*215,000 employed individuals aged 50+, 2005 (Annual Population Survey)*	**30%**		
BME participants	*9,000 non-white employed individuals aged 16+, 2005 (Annual Population Survey)*	**-**		
Participants with work-limiting health condition or disability	*107,000 disabled employed individuals aged 16+, 2005 (Annual Population Survey)*	**13%**		
Participants accessing basic skills qualifications	*Not available*	**45%**		
Participants accessing Level 2 training	*241,000 employed individuals aged 16+ with no qualifications or with qualifications below Level 2, 2005 (Annual Population Survey)*	**30%**		
Participants accessing Level 3 training	*432,000 employed individuals aged 16+ with no qualifications or with qualifications below Level 3, 2005 (Annual Population Survey)*	**15%**		
Participants accessing Level 4 and above training	*585,000 employed individuals aged 16+ with no qualifications or with qualifications below Level 4, 2005 (Annual Population Survey)*	**10%**		
Female participants who work part-time	*167,000 part-time employed female individuals aged 16+, 2006 (Stats Wales)*	**29%**		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Employers assisted or financially supported	*102,500 enterprises active, 2003 (WAG, 2004)*	**15,000**	Individual employer information	Annual reports and PMC meetings
Research studies	*N/A*	**-**	Project information	Annual reports and PMC meetings
Learning and development strategies	*N/A*	**-**	Project information	Annual reports and PMC meetings
Projects delivering specialist training in sustainable development	*N/A*	**10%**	Management information	Annual reports and PMC meetings
Results				

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants gaining qualifications - Employed	*701,000 employed individuals aged 16+ with qualifications, 2005 (Annual Population Survey)*	**37,530**	Individual participant information	Annual reports and PMC meetings

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Qualification levels gained:	*Number of employed individuals aged 16+ with qualifications at:*		Individual participant information	Annual reports and PMC meetings
Basic skills	*Below Level 2 – 145,000*	**54%**[18]		
-Female	*(Evidence from current Welsh Assembly Government*	**-**		
-Older participants	*skills programmes also suggests that around 30-50*	**-**		
-BME participants	*per cent of those who achieve qualifications, achieve*	**-**		
-Participants with work-limiting health condition or disability	*qualifications at up to and including Level 1)*	**-**		
- Female participants who work part-time		**-**		
At Level 2	*Level 2 – 191,000*	**29%**[19]		
-Female	*(Evidence from current Welsh Assembly Government*	**-**		
-Older participants	*skills programmes also suggests that around 15-30*	**-**		
-BME participants	*per cent of those who achieve qualifications, achieve*	**-**		
-Participants with work-limiting health condition or disability	*qualifications at Level 2)*	**-**		
- Female participants who work part-time		**-**		

[18] This equates to an attainment level of 50 per cent for those accessing basic skills qualifications
[19] This equates to an attainment level of 41 per cent for those accessing level 2 training

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
At Level 3	*Level 3 – 154,000*	**11%**[20]		
-Female	*(Evidence from current Welsh Assembly Government*	**-**		
-Older participants	*skills programmes also suggests that around 15-30*	**-**		
-BME participants	*per cent of those who achieve qualifications, achieve*	**-**		
-Participants with work-limiting health condition or disability	*qualifications at Level 3)*	**-**		
- Female participants who work part-time		**-**		
Level 4 and above	*Level 4 and above – 211,000 (Annual Population Survey, 2005)*	**6%**[21]		
-Female	*(Evidence from current Welsh Assembly Government*	**-**		
-Older participants	*skills programmes also suggests that around 0-10 per*	**-**		
-BME participants	*cent of those who achieve qualifications, achieve*	**-**		
-Participants with work-limiting health condition or disability	*qualifications at Level 4 and above)*	**-**		
- Female participants who work part-time		**-**		

[20] This equates to an attainment level of 30 per cent for those accessing level 3 training
[21] This equates to an attainment level of 25 per cent for those accessing level 4 and above training

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants entering further learning *Key intervention group: Employed BME participants*	*Not available* *Not available*	**-**	Individual participant information	Annual reports and PMC meetings
Progression schemes for women	*N/A*	**-**	Project information	Annual reports and PMC meetings
Employers adopting or improving equality and diversity strategies and monitoring systems	*N/A*	**50%**	Individual employer information	Annual reports and PMC meetings
Impact	**-**	**-**		
Skills level of employment	*N/A*	**-**	Evaluation	Annually from 2009
Pay level of employment	*N/A*	**-**	Evaluation	Annually from 2009
Women in management	*N/A*	**-**	Evaluation	Annually from 2009
Participants gaining part qualifications	*N/A*	-	Evaluation	Annually from 2009

The following table demonstrates the links between the output, result, and impact indicators.

Output ⇨	Result	Impact
Projects		
Participants *(Employed)*	Participants gaining qualifications Participants entering further learning	Skills level of employment Pay level of employment Women in management
Employers assisted or financially supported	Progression schemes for women Employers adopting or improving equality and diversity strategies and monitoring systems	
Research studies Learning and development strategies		
Projects delivering specialist training in sustainable development		

Priority 4

The following indicators, relevant to the Priority, will be used to track the progress of projects and the Programme. The output and result indicators are monitoring indicators, which projects will be required to report against during the life of the project. The impact indicators are evaluation indicators and should be considered during project- and Programme-level evaluation.

In addition to reporting against these indicators, projects will be required to provide further monitoring information that underpins the indicators in order to meet Commission requirements as set out in Annex XXIII of the Implementing Regulations and to allow WEFO to assess the effectiveness of the Programme. In line with article 66(2) of the general regulation, monitoring information collected will allow for the breakdown of statistics by gender and size of the recipient undertakings, where appropriate.

Under the flexibility facility allowed for by Art 34(2) of Regulation (EC) 1083/2006, the ERDF indicator "Premises created or refurbished" will be available to capture ERDF activity funded through this Priority.

Baselines and targets are also presented in the table below. Unless stated, baselines are for West Wales and the Valleys. All targets are to be achieved by 2015.

As this is a new area of activity, evaluation of this Priority will follow a two-stage approach. This Priority will therefore be subject to evaluation in 2010 and 2012.

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Outputs				
Total participants (employed)	*230,000 individuals aged 16+ employed in the public sector, 2005 (Annual Population Survey)*	**7,500**	Individual participant information	Annual reports and PMC meetings

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Female participants	*151,000 female individuals aged 16+ employed in the public sector, 2005 (Annual Population Survey)* *42% of WAG senior managers are female, 2006 (WAG, 2007)*	**52%**	Individual participant information	Annual reports and PMC meetings
Key intervention group: *Public service managers*	*12% of the workforce of WAG are senior managers (WAG, 2007)*	**60%**	Individual participant information	Annual reports and PMC meetings
Public service workforce	*88% of the workforce of WAG are below senior manager level (WAG, 2007)*	**40%**		
Dissemination initiatives	*N/A*	**70**	Project information	Annual reports and PMC meetings
Employers assisted or financially supported	*N/A*	**60**	Individual employer information	Annual reports and PMC meetings
Initiatives to support Local Service Board development	*N/A*	**15**	Project information	Annual reports and PMC meetings
Projects delivering specialist training in sustainable development	*N/A*	**10%**	Management information	Annual reports and PMC meetings
Results				

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Collaborative agreements between public service bodies	*N/A*	**20**	Project information	Annual reports and PMC meetings
Sub-regional workforce planning & development strategies	*N/A*	**3**	Project information	Annual reports and PMC meetings
Organisational learning and development strategies	*N/A*	**25**	Project information	Annual reports and PMC meetings
Participants completing courses - Employed	*N/A*	**6,750**	Individual participant information	Annual reports and PMC meetings
Key intervention groups:				
Public service managers	*N/A*	**-**		
Public service workforce	*N/A*	**-**		
Female participants	*N/A*	**-**		
Secondment placements	*N/A*	**700**	Project information	Annual reports and PMC meetings

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Employers adopting or improving equality and diversity strategies and monitoring systems	*N/A*	**50%**	Individual employer information	Annual reports and PMC meetings
Employers adopting or improving Environmental Management Systems	*N/A*	**75%**	Individual employer information	Annual reports and PMC meetings
Impact				
Public service quality improvement	*N/A*	**-**	Evaluation	**2010 and 2012**
Increase in public service efficiency (including reduced costs of service delivery)	*N/A*	**-**	Evaluation	**2010 and 2012**
Citizen satisfaction with public services	*N/A*	**-**	Evaluation	**2010 and 2012**

The following table demonstrates the links between the output, result, and impact indicators.

Output ⇨	Result	Impact
Projects		
Dissemination initiatives		Public service quality improvement Increase in public service efficiency (including reduced costs of service delivery) Citizen satisfaction with public services

Employers assisted or financially supported	Collaborative agreements between public service bodies Learning and development strategies Secondment placements Employers adopting or improving equality and diversity strategies and monitoring systems Employers adopting or improving Environmental Management Systems	Public service quality improvement Increase in public service efficiency (including reduced costs of service delivery) Citizen satisfaction with public services
Participants *(Employed)*	Participants gaining qualifications Participants completing courses	Public service quality improvement Increase in public service efficiency (including reduced costs of service delivery) Citizen satisfaction with public services

Initiatives to support Local Service Board development		Public service quality improvement Increase in public service efficiency (including reduced costs of service delivery) Citizen satisfaction with public services
Projects delivering specialist training in sustainable development		

ESF Convergence Indicators – Brief Definitions

This brief guide provides clarifying notes on the indicators. Detailed definitions and guidance will be made available to project sponsors on the WEFO website.

Basic skills qualifications
Qualifications below Level 2

BME participants
The number of Black and Minority Ethnic participants.

Childcare places taken up
The number of childcare places provided or subsidised through this Programme taken up by individuals.

Collaborative agreements between public service bodies
The number of collaborative agreements between public service bodies secured through this Programme

Dissemination initiatives
Dissemination initiatives include seminars, workshops, presentations at conferences and other events and reports disseminating lessons learned.

Economically inactive participants
The number of working age participants who are neither employed nor unemployed. For the purposes of this indicator, those in full-time education are not included in the definition of the economically inactive.

Employers assisted or financially supported
The number of employers that receive assistance or financial support, through this Programme.

Initiatives to support Local Service Board development
Number of initiatives developed to support Local Service Board development, funded by this Programme.

NEET participants
The number of participants who are aged16-18 and not in education, employment or training.

Older participants
The number of participants aged 50+.

Organisational learning and development strategies
The number of learning and development strategies developed by employers as a result of this Programme.

Part qualifications
A unit or credit towards a full accredited qualification which is formally recognised by an awarding body

Participants
The number of individuals participating in this Programme.

Participants entering employment
The number of participants entering employment following participation in this Programme.

Participants gaining qualifications
The number of participants gaining a full, accredited qualification as a result of participation in this Programme.

Participants gaining other positive outcomes
The number of participants gaining a positive outcome following participation in this Programme. Positive outcomes are intermediary outcomes including: completing courses; entering voluntary work; and attending a job interview.

Participants entering further learning
The number of participants entering further learning following participation in this Programme

Participants receiving individualized assistance with work- limiting health conditions or disabilities
The number of participants receiving assistance individually tailored and delivered on a one-to-one basis for their work-limiting health conditions or disabilities.

Participants receiving general assistance with work- limiting health conditions or disabilities
The number of participants receiving assistance of a general nature and delivered on a less intensive basis for their work-limiting health conditions or disabilities.

Progression schemes for women
The number of progression schemes for women developed as a result of this Programme. For example, schemes that support women's career advancement.

Projects using soft outcome measurement systems
The number of projects using soft outcome measurement systems to assess the progress of some or all of its participants.

Secondment placements
The number of placements that are funded through this Programme. For example, placements that are delivered through the People Exchange Secondment Programme.

Sub-regional workforce planning & development strategies
The number of sub-regional strategies developed as a result of this Programme. These strategies will have been developed on a cross-sectoral basis aimed at improving workforce planning and raising the skills-base of the public service workforce.

Systems developed
The number of systems developed as a result of this Programme. For example, systems to identify and reduce the number of young people at risk of disaffection.

Unemployed participants
The number of participants who are without a job or who are under formal notice of redundancy but who are available to start work.

Workplace health programmes
The number of workplace health programmes developed as a result this Programme. For example, programmes to support employed people to manage work-limiting health conditions at work.

ANNEX L – SUMMARY OF CROSS-CUTTING THEMES LESSONS LEARNED FROM STRUCTURAL FUNDS PROGRAMMES 2000–2006

A Cross-Cutting Research Project[1] has reported a broad level of success with integrating the cross cutting themes into the Objective 1 and 3 programmes 2000-2006. The model used to build the cross cutting themes into the programme was judged to have been successful. This involved, defining horizontal and vertical activities within the programme, which addressed environmental sustainability and equal opportunities objectives. These were based on the key environmental and equality issues in the Region that needed to be addressed.

A similar overall approach will be taken for the Convergence Programme 2007-13 programme although a prime objective will be to help deliver outcomes identified in Welsh Assembly Government strategies that are consistent with European policy.

The inclusion of cross cutting theme targets within the Structural Funds programmes 2000–2006 was an important driver to encourage projects to address the cross cutting theme objectives. This also provided a means to monitor progress in meeting the cross cutting theme objectives. Specific issues identified for each theme are detailed below.

Environmental Sustainability

Although not a statutory requirement, the completion of a Strategic Environmental Assessment (SEA) within the 2000-2006 programmes has been widely identified as an example of best practice. SEAs have also been completed on the ERDF Convergence and Competitiveness Structural Funds programmes 2007–2013 to be fully compliant with the SEA Directive which came into force in 2004.

Specific examples of successful promotion of environmental sustainability in the Objective 1 programme 2000–2006 include:

- support provided for the development of the environmental goods and services sector of the Welsh economy;
- promoting the adoption of Environmental Management Systems by SMEs;
- prioritisation of developments on brownfield sites;
- promotion of high standards of environmental performance for new and refurbished buildings; and

[1] Cross-cutting Research Project (Objective 1 and 3 programmes 2000–2006), May 2006: http://www.wefo.wales.gov.uk/resource/RME-CCT-2006-e4535.pdf

- support for projects based on the sustainable use of the natural environment that made a significant contribution to sustainable development.

In some areas the integration of environmental sustainability was less successful. Not all projects addressed the opportunities for integrating environmental issues and some environmental sustainability targets were missed because, for example, systems designed at the outset were not flexible enough to respond to changes. There were also delays in environmental infrastructure projects because of the lack of strategies at the programme outset, and delays with obtaining planning permission. Problems were experienced in attracting projects that focussed on more efficient use of water resources. Initially, support for land remediation projects was restricted to 'orphan sites' (sites not having an owner that would be responsible for pollution and remediation work). This proved to be a major restriction on potential projects and was amended subject to projects being able to demonstrate significant economic and social benefit.

A key finding of the research was the need to integrate the cross-cutting themes into projects at an early stage of development and this will be a key objective of the Convergence Programme. Strategies now exist that will help to identify and formulate major projects at an earlier stage in the programme that will make a significant contribution to environmental sustainability objectives.

The research indicated that the guidance produced for the Objective 1 Programme 2000–2006 on integration of environmental sustainability was well received. It is intended to build on this approach in the Convergence programme by inclusion of best practice examples.

Equal Opportunities

Specific examples of successful promotion of equal opportunities in the Objective 1 and 3 Programmes 2000–2006 include:

- a high number of new SMEs given advice owned by women, BME people and disabled people;

- significant numbers of additional childcare places created;

- a high percentage of initiatives addressing issues for disabled people, women and BME people;

- the reported percentage of BME people participating in the programmes was well above the working age population comparator; and

- a higher level of women supported through the programmes than would have been anticipated based upon their representation within the labour market generally.

The report also highlighted that more could have been achieved to encourage infrastructure development projects for childcare. Much of the funding has been spent on temporary crèche provision to support activities such as training. Furthermore, although the robustness of the data is open to question because of recording difficulties, participation rates for disabled people and Welsh speakers could also have been higher. More emphasis also needs to be placed on the more difficult issues around gender such as horizontal and vertical segregation and equal pay, from which project sponsors have tendered to steer away.

Improvements for future programmes.

The research identified a number of issues that could improve the integration of the cross-cutting themes in the 2007–2013 programmes including:

- early integration of the cross-cutting themes into projects at the first stage of development to prevent them from being seen as a bolt-on to projects;

- more detailed guidance on equal opportunities and how sponsors can integrate the cross-cutting theme into their project;

- ensuring that the output targets are agreed up front and are accommodated in the design of the monitoring and evaluating procedures when the administration arrangements for the programmes are put in place; and

- the continuation of the approach of horizontal and vertical integration of the themes, along with the work of the Cross-cutting Unit within WEFO and the external Cross-cutting Theme Group.