MID-TERM EVALUATION OF THE OBJECTIVE 1 PROGRAMME FOR WEST WALES AND THE VALLEYS

FINAL REPORT

Draft (for PMC)
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CRG Research Ltd.
In association with:

Cardiff University
(Centre for Local and Regional Government Research & Welsh Economy Research Unit)

Fitzpatrick Associates

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EXECUTIVE SUMMARY

Context

The Objective 1 Programme for West Wales and the Valleys is the most significant and most ambitious Structural Funds Programme ever in Wales, and is, by some way, the largest Objective 1 Programme in the UK. It represents considerable challenges in terms of Programme management, challenges which were made more formidable by the institutional and policy changes which flowed from the creation of the National Assembly for Wales at the same time as the Programme was being developed.

The Programme is managed by the Welsh European Funding Office (WEFO), an executive agency of the National Assembly, working with a series of local, regional and strategy partnerships. WEFO was only established in April 2000, as the Programme was coming into operation and has had to develop its processes and procedures while implementing the Programme.

The evaluation

A consortium led by CRG Research Ltd. was commissioned in September 2002 by the National Assembly for Wales to undertake the Mid-term evaluation of the Objective 1 Programme for West Wales and the Valleys. This evaluation involved a number of “Key Tasks” concerned with the continued relevance of the Programme strategy and the need for changes, if any, in the delivery of the Programme; the integration of the cross-cutting themes into the Programme; the progress of the Programme towards the quantified targets and impacts set out in the Single Programming Document (SPD) and the Programme Complement, and towards the Performance Reserve Indicators agreed between the European Commission and the National Assembly for Wales; the effectiveness of the Programme processes and the identification of any further benefits of the Programme, including Community Added Value.

The evaluation involved an intensive Work Programme over an eight month period, which included a detailed investigation of 66 projects, a postal/e-mail survey addressed to all management board members of the regional and local partnerships, face-to-face interviews with 46 individuals involved as members, secretariat or WEFO staff in the work of five of the partnerships, four focus groups with Strategy Partnership members and secretariats, and individual interviews with Programme Monitoring Committee members and advisers.

This report summarises the findings of the evaluation and puts forward recommendations for adjustments to be made to the Programme in the Mid-term Review.

Findings

In general terms, there has been a high degree of interest in the evaluation and there were very good response rates to most elements of the research. Nevertheless, it is important to recognise that the evaluation was undertaken in an environment of continuous change, and some of the findings may already have been overtaken by events. Evidence from the project sample about processes, in particular, may reflect experience from 12 – 18 months ago. At the same time the methodology has allowed the evaluation to triangulate between data derived from different sources, and this report reflects the common themes and messages which have emerged.

Despite the rapid development of policy since the SPD was written, the strategy developed for the Programme is based on a thorough analysis of the region’s economy which remains
broadly appropriate. The headline targets for the Programme for GDP growth, net employment growth and reducing inactivity are ambitious, and in the case of the GDP target present certain methodological problems (the difficulty of measuring progress through a measure which is highly dependent on developments outside the Programme area).

While certain elements of the Programme are well-integrated into national strategies (for example, innovation and rural development) and while few projects sampled during the evaluation were in any way inconsistent with the Welsh Assembly Government strategies which have emerged since the Programme was written, the Programme has clearly been driven largely from the “bottom-up”, with systems and processes designed to respond to project ideas rather than to initiate them. While this is in line with past practice in most UK Structural Fund programmes, the lack of specific consideration given in strategy documents to the role which Objective 1 might play in implementing these strategies might be thought surprising.

In terms of the most immediate indicator of the Programme’s progress towards achieving its goals, the commitment of funds, the situation at the mid-term is broadly good, with the exception of Priority 3 (Community Economic Regeneration), where – even taking into account the difficulties of this sort of intervention - there are some fundamental policy issues to be addressed, and a number of infrastructure Measures, where, for the most part, a reasonable “pipeline” of projects are reported to be in development. A number of areas of the Programme are under significant pressure in terms of eligible project proposals which cannot be funded – notably two capital measures Priority 1, Measure 5 (Providing Sites and Premises for SMEs) and Priority 4, Measure 4 (Improving the Learning System).

While there is a significant gap between commitments and payments actually made, this is not, in itself unusual for such Programmes, although it is more serious than in the past, given new European Commission requirement in terms of the rate of spend: the evaluation fieldwork suggested that there was some evidence of generally modest underspends by projects.

The picture with regard to progress in terms of outputs is more complex. Aggregate data suggests that progress in terms of predicted outputs is broadly in line with, or superior to, the ambitions of the Programme, and the so far limited evidence in terms of actual outputs does not show major discrepancies from these predictions. However, one key area of concern, given the overall targets of the Programme, is the progress in terms of jobs created: with the exception of Priority 1, all parts of the Programme are showing slower than anticipated progress in terms of direct jobs, and projects and programme managers agree that targets in respect of Priorities 2 and 5 are probably unrealistic.

Moreover, the figures deriving from the aggregate data need to be qualified, not least by the fact that several key projects originally set outputs pro rata to the proportion of funding within the relevant Measure which they applied for. The fieldwork suggested that projects were more likely to under-achieve in terms of outputs than they were in terms of spend (representing poorer value for money than originally forecast) and that some key definitions in terms of jobs created and SMEs assisted were not always fully understood. The proliferation of targets within the Programme means that projects, programme managers, and management information systems can be overwhelmed: there needs to be a further simplification of the hierarchy of targets to enable a clearer focus on the key goals of the Programme.

In the light of the evaluation, the Programme targets for net impacts, at both Priority and Programme level, seem ambitious. There are also some concerns as to whether the PRI targets – particularly for results – will be met, and efforts are needed to ensure that all data on
projects’ achievements is received and entered on the database before the deadline of 31 December 2003.

In terms of process, the system for project selection which has evolved is highly participative, but is perceived by applicants as very burdensome and over-long, and this appears to have some grounding in fact. In the case of the projects in our project sample, average time from the submission of a proforma to final approval was around 6 – 8 months. Partnerships appear to spend significant time consulting with each other and, to some extent, revisiting issues, such as eligibility, which are not their formal responsibility: this adds to delays in progressing applications. While the experience of partnership is regarded by many as the most important benefit from the Programme, partnership members are not always clear about their role or whether they are involved in a representative capacity or because of their expertise.

Formal appraisal systems which have been developed within WEFO are of very high quality, but, in practice, there appear to be significant differences in terms of the appraisal between (on the one hand) ERDF/EAGGF/FIFG teams and (on the other) the ESF team, with the latter much less likely to consult external expertise: this can be attributed to the higher volume of smaller projects under ESF. The ESF application form presents significant problems and is need of overhaul.

There is little contact with projects once they are given approval to proceed. Partnerships – which play a major role in terms of supporting project development and selection – are unclear what, if any, part they are expected to play in terms of monitoring at the project level and are not kept “in the loop” about projects’ progress. Within WEFO, also, there is a structural discontinuity between the process of project appraisal and approval and project implementation, with responsibility for contact with projects generally passing to the Payments team on approval. While systems for collecting monitoring data are in place – although not always rigorously enforced - this data is exclusively quantitative, and there is virtually no face-to-face contact with projects. This may mean that the opportunity for learning from best practice is lost, and problems with individual projects are not identified and addressed early enough.

In terms of the cross-cutting themes, while the integration at strategy level is exemplary, there do appear to be significant problems in translating this into “making a difference” in terms of project design and, even more, delivery. A greater focus on more practical advice for project sponsors may be needed.

In terms of added value, many of the projects examined during the evaluation were using European funding to enhance the quality and intensity of the support which organisations were already providing to individuals or to SMEs. This is perfectly legitimate in terms of the rules of additionality, but it underlines the fact that care needs to be exercised in attributing the outputs claimed to the Objective 1 intervention: the benefits brought by the Structural Funds are frequently both less – in terms of direct outputs – and more – in terms of qualitative impacts – than the data would suggest. In terms of process, the evaluation revealed a strong conviction that the partnership working in the context of Objective 1 was making a positive contribution to improving working relationships within and across sectors in Wales.

**Recommendations**

In terms of recommendations, the report puts forward 30 main recommendations and 25 other, more minor recommendations. Main recommendations for the Programme Monitoring Committee include:

- Encouraging the Welsh Assembly Government and Assembly Sponsored Public Bodies (ASPBs) to address more specifically the role of Objective 1 as a delivery...
mechanism for high-level strategies, and continuing to encourage partnerships to identify gaps and stimulate new project development;

- Commissioning changes to the structure of Priority 3 and greater integration with the Communities First Programme;
- Revisiting the Programme target for GDP growth and recognising that the target for net employment growth is extremely challenging;
- Ensuring a greater emphasis on the contribution of individual projects to the Programme’s headline targets in the project appraisal and selection process;
- Simplifying further the structure of targets within the SPD and the revised Programme Complement and revisiting Priority-level targets for job-creation;
- Ensuring that all relevant project data is collected by 31 December 2003 to maximise the possibility of meeting the Performance Reserve Indicator target;
- Making limited virements to increase funding available to several Measures where there has been heavy demand on resources, subject to safeguards that these additional resources are used more strategically;
- Encouraging and providing resources for partnerships to provide more pro-active support to projects during implementation;
- Reviewing the role and structure of partnerships and taking a number of steps intended to speed up the project application and appraisal process;
- Considering commissioning a new ESF application form;
- Ensuring greater rigor in insisting that financial and monitoring returns are provided on time;
- Issuing clearer guidance on project-level evaluation;
- Considering the provision of additional resources to give practical advice on how to integrate cross-cutting themes during project implementation.
1. INTRODUCTION

1.1 Purpose of Report

A consortium led by CRG Research Ltd. was commissioned in September 2002 by the National Assembly for Wales, as managing authority for the Structural Funds Programmes in Wales, to undertake the Mid-term evaluation of the Objective 1 Programme for West Wales and the Valleys. Members of the same team were commissioned in parallel to undertake the Mid-term evaluation of the Objective 3 Programme for East Wales.

The agreed aims and objectives for the evaluation were drawn up in response to the European Commission’s Working Paper No. 8 providing guidance on Mid term evaluation. They were to:

- comment on whether and to what extent the programme strategy as set out in the Single Programming Document (SPD) and Programme Complement is still relevant to the socio-economic circumstances of the area and consistent with the Regional Strategy;
- establish the progress which the Programme is making toward achieving its objectives as set out in the SPD and Programme Complement;
- assess the quality and effectiveness of the programme’s implementation and management;
- examine the results achieved for the indicators used by the Performance Reserve; and
- comment on the effectiveness of the implementation of the strategies for the cross cutting issues of Equal Opportunities, the Information Society and Environmental Sustainability which are mainstreamed across the entire Programme.

Flowing from these aims and objectives were a series of Key Tasks, which have formed the core of the evaluation and focus on:

- the continued relevance of the programme strategy and the need for changes, if any, in the delivery of the programme (Key Task a);
- the integration of the cross-cutting themes into the Programme (Key task b);
- progress towards the quantified targets set out in the SPD and Programme Complement (Key Task c);
- progress towards the Programme impacts (Key Task d);
- progress against the Performance Reserve Indicators (Key Task e);
- effectiveness of the Programme processes (Key Task f); and
- further benefits, including Community Added Value, of the Programme to the Objective 1 area. (Key Task g).
The evaluation has involved intensive work over an eight month period by an experienced team of 15 researchers drawn from both academic and private consultancy settings and using a rigorous methodology discussed in detail with the Evaluation Advisory Group which has overseen the evaluation. We interviewed (either on a one-to-one basis, or, in the case of project promoters, two or three individuals from the same organisation) more than 180 individuals involved in the implementation of the Programme; every member of local and regional partnerships had the opportunity to contribute to a postal/e-mail survey and members of strategy partnerships were invited to take part in one of a series of focus groups. This has provided a comprehensive picture of the programme and enabled us to triangulate data for each of the elements of the study from a number of different sources.

In this final report, we report on our findings and make recommendations for consideration by the Programme Monitoring Committee in its Mid-term Review of the Programme.

1.2 Structure of Report

This report is divided into three Parts, dealing respectively with the Background to the evaluation (Chapters 2 – 3), our Findings (Chapters 4 – 8), and our Conclusions and Recommendations (Chapter 9). In the remainder of the report we:

- Explain the context of the evaluation, outlining the origins of the Objective 1 Programme, the shape of the Programme and the management arrangements for implementing the Programme (Chapter 2);
- Outline our methodology and the Work Programme undertaken (Chapter 3);
- Examine the continued relevance of the Programme Strategy in the context of changes in the policy context, changes in the macro-economic context, and revisiting the Programme logic, structure and targets in the light of the evidence emerging from the evaluation (Chapter 4);
- Examine progress in implementing the Programme in terms of financial commitment and spend, activity and results, impacts and the Performance Reserve Indicators (Chapter 5);
- Examine the effectiveness of Programme processes, including project genesis and development, project appraisal and selection, project monitoring, evaluation and audit and an overview of the role of partnerships (Chapter 6);
- Examine the integration of the cross-cutting themes into the Programme, at the level of strategy, in project development and appraisal and in project implementation (Chapter 7);
- Examine Community Added Value, in terms both of project and process additionality (Chapter 8); and
- Present our key Conclusions and Recommendations (Chapter 9).

At the end of each Chapter in Parts I and II, we provide a brief overview which brings together the main points to emerge from our analysis. Within the main sections of Chapters 4-8, however, we report separately on our findings from the three core elements of our Work Programme – the desk analysis of documentation and aggregate data, the project sample and the process evaluation.

In the Appendices, we provide more detailed information on our findings as well as the research tools used.
PART I

BACKGROUND TO THE EVALUATION
2. CONTEXT

2.1 Objective 1

Objective 1 is the most important of the strands of the European Structural Funds - the European Union’s spending on regional and social development - and is earmarked for regions “which are lagging in development”; this is defined as regions with a per capita GDP of less than 75% of the EU average. These regions receive the greatest proportion of the Structural Funds and the highest intensity of aid (i.e. more Euros per head of population). The Structural Funds account for around one-third of the EU’s annual budget, with spending of around € 25 billion per annum. Nearly 70% of this money is directed to Objective 1 regions, although the majority of this is concentrated on the poorest countries – Spain, Portugal, France and Greece.

The overall purpose of the EU’s spending on the Structural Funds is to fulfil the aspiration of the Union to “aim at reducing disparities between the levels of development of the various regions”\(^1\). Objective 1 is intended to “promote the development and structural adjustment of regions whose development is lagging behind”\(^2\).

Money for Objective 1 comes from all four of the Structural Funds, each of which is governed by its own regulations. The funds are shown in Box 2.1.

**Box 2.1: The Four Structural Funds**

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Funding Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Regional Development Fund (ERDF)</td>
<td>Capital and revenue</td>
<td>provides capital funding for infrastructure projects and revenue funding for business and community development.</td>
</tr>
<tr>
<td>European Social Fund (ESF)</td>
<td>Revenue</td>
<td>provides revenue funding only for training and skills development of those in work, and education and training of the unemployed, as well as funding for measures which help bring people back into economic activity by combating social exclusion.</td>
</tr>
<tr>
<td>European Agricultural Guidance and Guarantee Fund – Guidance Section (EAGGF – Guidance)</td>
<td>Capital and revenue</td>
<td>provides capital and revenue funding for projects which aid modernisation of agriculture and rural diversification.</td>
</tr>
<tr>
<td>Financial Instrument for Fisheries Guidance (FIFG)</td>
<td>Capital and revenue</td>
<td>provides capital and revenue support for modernising the fisheries fleet, developing aquaculture, and diversifying local economies away from reliance on fishing.</td>
</tr>
</tbody>
</table>

2.2 Objective 1 in West Wales and the Valleys

Before 2000, no part of Wales had benefited from Objective 1, although it had received significant assistance under the other Objectives of the European Structural Funds in the past. UK experience of Objective 1 was limited to Northern Ireland and, in the 1994 – 99 period, Merseyside and the Highlands and Islands of Scotland.

The regulations governing the Structural Funds, which include the definition of how regions can qualify for assistance, are time-limited. The current rules apply for the “programming period” from January 2000 to December 2006.

\(^1\) Treaty on European Union, Art. 130a  
\(^2\) Council Regulation (EC) laying down general provisions on the Structural Funds, 1260/1999 Art. 1
When work on revising the previous regulations (which applied for the period 1994 – 99) began in 1997, the general view was that the UK in general and Wales in particular were likely to lose out dramatically as a result of the relative improvement in the UK economy compared to mainland Europe over the period since the Funds were last reformed in 1992-3.

However, this proved not to be the case, because of a fundamental re-alignment of the statistical “map” of Wales. As noted above, Objective 1 funding is intended to assist the development and structural adjustment of regions whose development is lagging behind, generally those regions with a per capita GDP less than 75% of the EU average. Statistical data on regions for the EU is collected through Eurostat (the EU’s Office for Statistics) using the Nomenclature of Territorial Units for Statistics (NUTS). The original NUTS system was a five level hierarchical classification of three regional levels and two local levels. Wales was thus equivalent to a NUTS 1 level unit broken down into two sub-regional (NUTS 2) units based on groups of counties in Mid and North Wales (Clwyd, Dyfed, Gwynedd and Powys) and South Wales (Mid- , South- , West-Glamorgan and Gwent). This had the effect of “concealing” the large areas of low GDP in the Valleys and in West Wales by merging them in with the high-GDP areas of the eastern end of the M4 Corridor and North-East Wales respectively.

In 1998, Eurostat agreed to re-configure the NUTS 2 boundaries and the two-way split of Wales on an east-west basis rather than the prevailing north-south structure. This reflected the evolving differences in prosperity levels between the east and the less accessible western and valleys areas, which had been highlighted by both the Welsh Office, and through an academic analysis$. It also represented something of a coup for the Welsh Office, which had made this case in the face of some scepticism from Whitehall. In October 1998, the Office for National Statistics (ONS) announced that West Wales and the Valleys had been officially accepted as having a GDP per capita of 73% of the EU average on 1996 figures, thus meeting the EU’s test for eligibility for Objective 1 status. In March 1999 at the EU’s Berlin Summit, the European Commission formally approved the Objective 1 status of West Wales and the Valleys.

The result is that roughly two-thirds of the population of Wales – or nearly 1.9 million people – is now included in the area eligible under the Objective 1 Programme for West Wales and the Valleys. It is the largest Objective 1 region in the UK (the others being Cornwall and the Isles of Scilly, Merseyside and South Yorkshire) and accounts for 35% of the UK’s Objective 1 allocation for 2000-2006. In total, over the lifetime of the Programme €1.85 billion or roughly £1.14 billion4 is available to fund projects which aid the economic development of the region. This equates to £125 million in each of the nine years covered by spending under the programme (i.e. the seven year period from 2000-06, plus the further years within which payments can be completed) and is expected to be matched by £813 million of public sector funds and £405 million of private sector funds leading to a total investment of almost £2.5 billion. With the other Structural Fund programmes in Wales, there has been a doubling of Structural Fund resources made available in the region compared with the previous programming period.

Although compared to the total budget controlled by the National Assembly for Wales of around £12 billion per annum, the additional extra resources are relatively modest, in terms of the economic development effort it is very significant, being equivalent, for example, to a doubling of the entire Welsh Development Agency’s budget.

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3 Morgan and Price, 1998; Morgan 2003
4 At an exchange rate of £1=€1.62: this was the exchange rate being used by WEFO as at 31 March 2003 when the aggregate data for this report was analysed.
The NUTS 2 region of West Wales and the Valleys includes the following unitary (local) authority areas:

- South Wales Valleys – Blaenau Gwent; Bridgend; Caerphilly; Merthyr Tydfil; Neath Port Talbot; Rhondda Cynon Taff; Swansea; and Torfaen
- South West Wales – Carmarthenshire; Ceredigion; Pembrokeshire
- North West Wales – Conwy; Denbigh; Gwynedd and Ynys Mon / Anglesey.

The division of Wales along east-west lines has created a totally new programme area, combining both urban/industrial and rural areas that were formerly part of separate programmes. It has been noted that no other Objective 1 region in the UK has this complex mix of regional development challenges."

One of the features of the new Structural Fund programming period in the UK context has been the perceived need to consider how to strengthen the relationships between the delivery of the new programmes and the changing policy environment and institutional framework for economic development. This requires closer integration between the goals of national socio-economic strategies and regional strategies and those which are intended to guide the EU Structural Funds, and thus ultimately co-ordination within a strategic regional planning framework. The Single Programming Document (SPD), which is effectively the development plan for the Objective 1 programme in Wales, was however developed at a time of considerable institutional upheaval and policy turbulence, not least of which has been associated with the onset of democratic devolution.

In July 1997, the UK Government published its proposals for devolution for Wales, which were endorsed by a referendum of the electorate on September 18 1997. The UK Parliament subsequently passed the Government of Wales Act, which established the National Assembly for Wales and laid out its powers and responsibilities. On May 6 1999 the first elections to the new National Assembly for Wales took place and, on 1 July of the same year, the newly elected body took formal responsibility for the executive functions previously in the hands of the Welsh Office and Secretary of State for Wales. This created something of a hiatus in the development of the underlying economic development strategy for Wales. As a result, the SPD was ultimately developed in advance of the National Economic Development Strategy (NEDS) which had originally been intended to provide the strategic planning framework for the Objective 1 programme in Wales. Moreover, the effort needed by what was, by Whitehall standards, a relatively modest civil service establishment to develop and implement the enormous institutional change required by devolution inevitably reduced the resource available to focus minds and efforts on the development of the SPD and its integration with other policies.

As well as the ensuing institutional and policy disruptions associated with the establishment of the National Assembly for Wales, the onset of devolution also created a highly charged political context for the new Structural Fund programmes in Wales. Devolution has brought all the Structural Fund programmes in Wales, Scotland and Northern Ireland under much closer political scrutiny, but Wales is distinctive in having its politicians (Assembly Members) engaged in the actual implementation process through their membership of the Programme Monitoring Committee (PMC). This helped generate significant awareness on the part of politicians, partners in the programme, the media and the public as to the performance of Programme. To add to this, Wales decided to implement the Objective 1 programme through a system of decentralised regional and local strategies and partnerships,

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5 Bachtler, 2002
6 Shutt et al, 2002
7 Franklin, 2003
8 Bachtler, 2002
which have not been tried before on this scale in Wales (see below for further details). Whilst other parts of the UK share one or more of these changes, Wales is unique (not just in UK, but possibly in EU as whole) of having to accommodate so many institutional shifts and challenges, especially in a programming period when the financial management, control, monitoring and evaluation requirements are much more demanding than previously.\

During the period before the establishment of the National Assembly for Wales in May 1999, responsibility for developing the Objective 1 SPD lay with the Welsh Office and a cross-sectoral partnership body (the Wales European Taskforce). This Taskforce was active from October 1998 to September 1999 and had been established by the Secretary of State for Wales to advise on use of European funding. Formal responsibility for managing the Programme in Wales was handed over to the Assembly on 1 July 1999. To facilitate the development of the SPD, two cross-sectoral partnerships were also established at the sub-regional level in December 1998 – the West Wales partnership and the Valleys partnership. These were originally tasked with producing an assessment of the needs of their respective areas. The partnerships also played a key role in disseminating information about the Objective 1 programme and raising the level of awareness about Objective 1 during the preparation of the SPD. A wide-ranging consultation exercise on the draft SPD was also undertaken with public, private and voluntary sector organisations across Wales between July and September 1999 to further promote inclusivity in the policy-making process.

Following the development of a draft SPD in September 1999, the Wales European Task Force was wound up or at least put into abeyance. Oral evidence given by members of the Task Force to an inquiry undertaken by the House of Commons Welsh Affairs Committee revealed their view that this decision was taken somewhat prematurely and that they felt that some forward momentum was lost to the programme as a result. As a result, there was a hiatus of six months before its successor, the shadow Programme Monitoring Committee (PMC), met on March 27th 2000.

The draft Objective 1 SPD was submitted to the European Commission on 1 November 1999. The Commission’s preliminary appraisal of the SPD, published in February 2000, revealed considerable dissatisfaction with the draft document. In particular, the Commission highlighted its concern about the lack of spatial targeting between urban and rural areas; it was critical of the level of resources to be committed to innovation when the SPD had identified this as one of the key weaknesses in the programme area; and it also said that the cursory treatment of community development signalled a low priority for this key theme. Moreover, it was concerned about whether sufficient resources for match funding would be made available, an issue which had dominated political discussions in Wales for much of the period during which the SPD was being prepared:

“...the Commission needs to be satisfied that future financial resources will be able to provide public funding for the whole programme and cannot be satisfied that this will simply be reviewed in the forthcoming Comprehensive Spending Review. A commitment to this effect needs to be included in the final SPD.”

The Commission ultimately approved the Objective 1 SPD in June 2000 and in July 2000 - by which time the publication of the Comprehensive Spending Review had provided

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9 Ibid.
10 Franklin, 2003
11 Welsh Affairs Committee, 2000
12 European Commission, 2000
13 Bristow and Blewitt, 2001
14 Commission, 2000, 28
guarantees on the provision of Structural Fund resources and match-funding to Wales - the first formal meeting of the PMC was held. One of its first tasks was to oversee the public consultation of the draft Programme Complement which was issued in the same month. This was ultimately approved in September 2000 – although it was substantially revised at the end of 2002.

2.3 The structure of the Objective 1 Programme

Objective 1 can potentially be used to support a very wide range of activities which have a beneficial impact on economic development and job creation, including:

- investment in economic infrastructure (transport, industrial land, tourism attractions, water, electricity, gas, telecommunications, research and development facilities, training centres and further and higher education);
- business development (advice services, small grant schemes, venture capital, management development, support for research and development);
- skills development and training of both the unemployed and those in work (though not usually for larger companies);
- community development for the poorest communities;
- improvements to the environment;
- rural development including diversification of farm businesses; and
- fisheries modernisation

There are some things which cannot generally be funded by the Structural Funds. These include spending related to compulsory education in schools (5 – 16), health infrastructure, housing, and much of social care. In addition, the Structural Funds cannot be used to subsidise profit-making investments, unless a wide benefit can be evidenced by the support and where Structural Funds are used to fund an identifiable funding gap.

While the emphasis of the European Commission is firmly on inviting the region and member-state concerned to propose priorities from within this very broad range of potential interventions, in the case of the “richer” member-states, the Commission has become increasingly reluctant to allow a large proportion of Objective 1 Programmes to be spent on “core” transport and energy infrastructure.

One of the key principles behind the operation of the Structural Funds is programming. The SPD represents the agreed plan for delivering Objective 1 in West Wales and the Valleys.

The SPD for Objective 1 sets out three headline objectives:

- to contribute to boosting per capita GDP in West Wales and the Valleys (to 78% of the UK average by 2006);
- to help towards the National Economic Development Strategy’s (NEDS) goal of creating 72,000 new jobs (net) in West Wales and the Valleys by contributing to projects which create approx. 43,500 new jobs (net);
- to contribute to meeting the NEDS target of reducing economic inactivity (i.e. people of working age not in employment) by 53,000 by 2006.

It sets out seven priorities for action subdivided into no less than 37 measures each of which has its own financial allocation. These are shown in Box 2.2. Every project funded by the Programme must “fit” exclusively within one of these Measures (although an applicant may submit a series of inter-related projects under different Measures).

15 The Programme Complement gives further details of the budgetary framework for the Programme
Box 2.2: Priorities and Measures, West Wales and the Valleys Single Programming Document

Priority 1: Expanding and Developing the SME base

<table>
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<tr>
<th>1.1</th>
<th>Financial support for SMEs</th>
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<tbody>
<tr>
<td>1.2</td>
<td>Promoting Entrepreneurship and Increasing the birth rate of SMEs</td>
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<td>1.3</td>
<td>Developing competitive SMEs</td>
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<td>1.4</td>
<td>Promoting adaptability and entrepreneurship</td>
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<td>1.5</td>
<td>Providing sites and premises for SMEs</td>
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</table>

Priority 2: Developing Innovation and the Knowledge Based Economy

<table>
<thead>
<tr>
<th>2.1</th>
<th>ICT infrastructure</th>
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<tbody>
<tr>
<td>2.2</td>
<td>To stimulate and support demand for ICT</td>
</tr>
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<td>2.3</td>
<td>Support for the development of innovation and research and development</td>
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<td>2.4</td>
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<td>2.5</td>
<td>Clean energy sector developments</td>
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Priority 3: Community Economic Regeneration

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<td>3.3</td>
<td>Regeneration of deprived areas through community-led action</td>
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<td>3.4</td>
<td>Supporting the creation and development of businesses in the social economy</td>
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Priority 4: Developing People

<table>
<thead>
<tr>
<th>4.1</th>
<th>Preventative and active labour market measures</th>
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<tbody>
<tr>
<td>4.2</td>
<td>Social inclusion</td>
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<td>4.3</td>
<td>Lifetime learning for all</td>
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<td>4.4</td>
<td>Improving the learning system</td>
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<td>4.5</td>
<td>Improving the participation of women in the labour market</td>
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<td>4.6</td>
<td>Anticipation and analysis of skills needs</td>
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Priority 5: Rural Development and the Sustainable Use of Natural Resources

<table>
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<tr>
<th>5.1</th>
<th>Processing and marketing of agricultural products</th>
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<tbody>
<tr>
<td>5.2</td>
<td>Training services to help farming adapt and diversify</td>
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<td>5.3</td>
<td>Forestry</td>
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<td>5.4</td>
<td>Promoting the adaptation and development of rural areas</td>
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<td>5.5</td>
<td>Investment in agricultural holdings</td>
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<tr>
<td>5.6</td>
<td>Promoting local economic development</td>
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<tr>
<td>5.7</td>
<td>A sustainable countryside – enhancement and protection of the natural environment and countryside management</td>
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<tr>
<td>5.8</td>
<td>Support for recreational opportunities and management of the natural environment</td>
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<td>5.9</td>
<td>Support for fisheries and aquaculture</td>
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Priority 6: Strategic Infrastructure Development

<table>
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<tr>
<th>6.1</th>
<th>Accessibility and transport</th>
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<tr>
<td>6.2</td>
<td>Energy Infrastructure</td>
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<td>6.3</td>
<td>Strategic employment sites</td>
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<td>6.4</td>
<td>Environmental infrastructure</td>
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Priority 7: Technical Assistance

<table>
<thead>
<tr>
<th>7.1</th>
<th>Promoting effective programme management (ERDF)</th>
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<tr>
<td>7.2</td>
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<td>7.3</td>
<td>Publicity and Research (ERDF)</td>
</tr>
<tr>
<td>7.4</td>
<td>Publicity and Research (ESF)</td>
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</tbody>
</table>
Alongside the Priorities and Measures, the Single Programming Document contains three cross-cutting themes, which are in line with the guidance of the European Commission on Structural Fund Programmes for 2000-2006:

- Equal Opportunities
- Environmental Sustainability
- The Information Society

All projects which are funded by Objective 1 have to demonstrate how they expect to address and make a positive impact on these three themes.

One key factor which is new in the current generation of Programmes is the requirement to ensure a relatively rapid conversion between formal legal commitments and the actual spending of resources. For the current round of Structural Fund Programmes, so-called “n+2” targets are set: these are targets for the minimum amounts of grant which must be drawn down by each Programme by the end of each calendar year. If they are not achieved, money can be “decommitted”, or withdrawn from the Programme, by the European Commission. This puts pressure on programme managers at all levels to secure rapid spend, and might be thought to risk poor quality projects being prioritised where high-quality ones are not forthcoming.

### 2.4 Programme Management and Implementation

In Wales, the management of the programme is devolved to the Assembly, which in turn has established the Welsh European Funding Office (WEFO) to oversee administration of all Structural Fund programmes in Wales, and thus to exercise the Assembly’s management and payment authority functions. WEFO is an executive agency of the National Assembly and was established on 1 April 2000, although some payment functions in respect of the European Social Fund were only transferred from the (then) Department for Employment and Education in 2001. This system superseded the implementation arrangements for the 1994-99 period, when programme management responsibilities were delegated to the Welsh European Programme Executive (WEPE), a company limited by guarantee, which in turn superseded the exclusive control of Structural Funds by the Welsh Office.\(^\text{16}\)

WEFO’s primary aim is to ensure that Wales derives maximum benefit from the Structural Funds in Wales. More specifically, its objectives are to enhance economic development and employment opportunities throughout Wales by promoting sustainable economic growth, increasing prosperity in all parts of Wales and tackling inequality, inactivity and resulting social exclusion.\(^\text{17}\)

However, the Programme is not administered exclusively by WEFO. A series of local and regional partnerships consisting of representatives of the public, private and voluntary sectors were established from the summer of 1999 onwards and given operational responsibility for implementing some aspects of the programme, notably in respect of supporting project development. The aim is to promote partnership working throughout the region to secure high quality and integrated regeneration and economic development programmes.

The principle partnership, with overall responsibility for the strategic direction of the Programme and for deciding upon and reviewing the Programme Complement, is the PMC. This is chaired by a Member of the National Assembly for Wales (who is nominated by the Economic Development Minister), and has 18 other members, six from each of the public,

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\(^{16}\) Bachtler, 2002; National Audit Office, 2002

\(^{17}\) WEFO, 2001
voluntary/community and private/trade unions sectors (as well as 8 specialist statutory advisors and 4 European Commission advisors). The Programme Monitoring Committee has overall responsibility for ensuring that the Programme is delivered according to plan and takes strategic decisions about the allocation of resources.

The work of identifying, supporting and assisting the development of individual projects falls to the regional and local partnerships. There are fifteen local partnerships, each of which covers one local authority area (see above). The first local partnership boards were in evidence from June 1999 and all were in place by the beginning of 2000. The key roles of the local partnerships are to:

- Develop and review a local strategy or action plan to target Objective 1 resources to local areas of need and opportunity;
- Monitor progress in implementing the strategy and identify gaps in provision;
- Assist applicants in developing projects which will deliver the objectives of the strategy;
- Promote the programme locally\(^{18}\).

These partnerships were thus each required to develop a Local Action Plan (LAP) for framing the implementation of the programme at the local level, with the initial deadline for LAPs set at September 27\(^{th}\) 2000. Exactly the same deadline was set for the submission of Regional Action Plans (RAPs, see below). This was justified on the basis that simultaneous submission of plans was important for ensuring they received parity of esteem but in practice this meant that regional and local action plans had to be submitted ‘blind’ i.e. without reference to one another.

There are ten regional partnerships, each of which is responsible for taking forward action in different thematic areas of the programme: these are set out in Box 2.3 below.

*Box 2.3: Regional Strategy Partnerships and lead bodies*

| Human Resource Development | Lead body: HRD European Unit/ELWa – National Council |
| Community Regeneration | Lead body: Welsh Council for Voluntary Action |
| Agri-Food | Lead body: Welsh Development Agency |
| Forestry, Countryside and Coastal Management | Lead body: The Forestry Commission |
| Business Support | Lead body: Welsh Development Agency |
| Entrepreneurship | Lead body: Welsh Development Agency |
| Innovation and Research and Development | Lead body: Welsh Development Agency |
| Information Age | Lead body: Welsh Development Agency |
| Tourism | Lead body: Wales Tourist Board |
| Strategic Infrastructure | Lead body: Welsh Development Agency |

\(^{18}\) WEFO, 2002
The objectives of the regional partnerships are to:

- Develop a regional strategy for the use of Objective 1 monies to add value to national policy within their area of expertise;
- Assist, where appropriate, with project development;
- Assess and recommend projects to the strategy partnerships (see below);
- Identify gaps in provision;
- Liaise with local partnerships on project assessment and development.  

The regional partnerships took slightly longer than local partnerships to set up, with the first in place in January 2000 and the last one being established in August 2001. In some cases, most notably the Agri-food Partnership, the regional partnerships emerged out of existing all-Wales partnerships and were thus relatively quick to emerge. Others, such as the infrastructure partnership, were entirely new entities and thus took longer to get established. There was also considerable confusion about the number and role of these partnerships: an initial list of 15 Regional Action Plans was reduced to the current 10 in the course of discussions in the PMC.

In addition to the local and regional partnerships, there are also four strategy partnerships which have overall responsibility for ensuring that the outputs in the four main areas of the Programme are delivered. These are set out in Box 2.4 below.

**Box 2.4: The Strategy Partnerships**

| **Business Assets Strategy Partnership (BASP):** | considers projects submitted under Priorities 1, 2 and 6, with the exception of stand-alone ESF projects submitted under Priority 1, Measure 4 (apart from projects relating to entrepreneurship) and Priority 2, Measure 4. |
| **Community Assets Strategy Partnership (CASP):** | considers projects submitted under Priority 3. |
| **Rural Assets Strategy Partnership (RASP):** | considers projects submitted under Priority 5. |
| **Human Assets Strategy Partnership (HRASP):** | considers projects submitted under Priority 4 and stand-alone ESF projects submitted under Priority 1, Measure 4 (with the exception of entrepreneurship) and Priority 2, Measure 4. |

These partnerships were established in January 2001 following concerns that the existing delivery structures lacked strategic coherence and clarity. These concerns had led the National Assembly for Wales to establish, in November 2000, a Task and Finish Group charged with overhauling the existing structure for delivering the Objective 1 programme. The Group was composed of a core group of seven individuals, all of whom were individually selected by the National Assembly, to develop with immediate effect a revised model for implementation. More specifically, their remit was to:

- Bring together the local and regional action plans and look at their fit within the strategy of the SPD;
- Allow the delivery of Objective 1 to go ahead on time and bring back confidence into the process;
- Secure absolute clarity and a strategic approach to the process.

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19 Ibid.
20 Task and Finish Group, 2000
Brought together for the first time as a group on November 20th 2000, the deadline to be met for producing a strategy was December 12th 2000. The report which was produced focused on three areas of the Programme’s delivery. Firstly, the main area of weakness was identified as the fragmentation between local and regional partnerships. This was tackled in two ways. Firstly, the recommendation was made for a cutback in the number of RAPs (see above). Parallel to this, the different partnership groupings were ‘encouraged’ to reflect ‘cross-fertilisation’ through their membership. WEFO officials were required to attend the RAP and LAP meetings in an advisory capacity, thereby helping to ensure consistency of the process across the board.

Secondly, the Task and Finish Group recommended the establishment of the four strategy partnerships. Constituted on a 50:50 local/regional basis (and also gender-balanced), the expectation was that ‘their existence would make competition between local and regional partnerships redundant’ 21. To achieve this objective, the strategy partnerships were charged with:

- The development and review of strategic frameworks for the use of Objective 1 funds;
- The qualitative assessment of individual projects already proposed by one of the regional or local partnerships, and making final recommendations to WEFO on the selection of projects;
- The monitoring of the impact of the Programme against these strategic frameworks and the identification of gaps in delivery;
- Facilitating effective communication between all partnerships.

The PMC approved the Task and Finish Group report on December 15th 2000 and in January 2001 these recommendations were implemented and the four strategy partnerships were established.

Figure 2.1 (over) – taken from the Auditor-General’s report – illustrates the role of the different partnerships as they are currently conceived.

One of the unique features about the partnership structures established to implement the Objective 1 programme and indeed all the Structural Fund programmes in Wales, is the strictness of the approach to interpreting European Commission guidelines on the balance of representation in partnerships by gender and across the public, private and voluntary sectors. In response to Commission ‘encouragements’ for all three sectors to be represented in Structural Fund partnerships, Wales has sought to encourage equal representation from the public sector, the social partners and the voluntary and community sectors in the composition of certain key partnerships – the so-called ‘three-thirds principle’. 22 This principle was initially agreed upon in 1999 by the Economic Development Committee (EDC) of the Assembly, following discussions led by the then Chair of the EDC, the late Val Feld AM, and the First Minister. The EDC agreed that each of the three sectors should be

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21 Task and Finish Group, 2000; p. 22
22 The thirds are defined as follows. The public sector covers those from central and local government, other democratically elected bodies, statutory agencies and organisations funded fully or in significant part through local government or taxation. The social partners covers the business sector, individual businesses as well as business representative bodies, and representation from the trade union movement and related organisations. The community and voluntary sector covers not-for-profit voluntary sector organisations which are independent of the public or private sectors but may include community businesses. Not for profit, non statutory bodies whose membership or board comprises a majority of either public or private sector members would not be included (WEFO, 2002).
represented in equal number on each of the partnerships, and that there should be a gender balance on each of the partnerships which meant, in practice, that at least 40 per cent of members should be women. This target for the gender balance on partnerships was a requirement for all aspects of partnership working:

“This gender balance should not be confined to partnerships but to working groups and committees at all levels that are involved in planning, implementing and monitoring projects. It should also be noted that a reasonable representation from black and ethnic minority and disabled groups is also expected.”

This approach reflects the enthusiasm of the Assembly leadership for engagement with social partners, and has been described by Manfred Beschel (Regional Policy Directorate-General, EU) as ‘much more advanced than other countries’.

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23 Welsh Affairs Committee, 2002; parag.26
24 Chwarae Teg, 2000
25 Welsh Affairs Committee, 2002; para. 174
2.5 Project Development and Appraisal

Structural Fund Programmes in the UK have traditionally been delivered through individual projects (which may vary enormously in size and complexity) and the Objective 1 Programme in West Wales and the Valleys is based on a similar model, where project ideas may be brought forward by a very wide range of public, private or third sector bodies and will be considered for funding on the basis of their merits and their fit with the strategy outlined in the SPD and the Programme Complement.

As is clear from the account above, the Objective 1 programme in Wales did not formally begin until half way through the first year of the programming period. In order to help initiate
the process of programme spend (and ultimately to help progress towards the “n+2” targets), the National Assembly for Wales introduced the Fast Track initiative in July 2000. This gave projects that were ready for immediate implementation, and with match funding already in place, the opportunity to bid for Objective 1 funding. One project was to be permitted for each local and regional partnership in the Programme. Thereafter, the Programme has been administered through a “rolling programme”, with projects being submitted as and when they are ready by the applicants.

Individual project proposals (made on a standard proforma) are submitted through one or more of the partnerships (the rule now being that a project which intends to operate in more than five local areas should seek support from the relevant regional partnership, with other projects seeking support in parallel from the relevant local area partnerships). The partnership considers whether it is prepared “in principle” to support the project and circulates the proforma to other partnerships with an interest for comment, before making a final decision whether to endorse it. Once a proposal has been supported by the relevant partnership(s), the applicant completes a full application which is submitted to WEFO. WEFO are then responsible for completing a full appraisal of the application, to ensure that it is eligible and to “score” it against a range of criteria, including:

- Job (or other) outputs
- Value for money
- Leverage of investment
- Strategic nature
- Synergy with other schemes
- Environmental impact

Separate forms and appraisal systems are in place for European Social Fund (ESF) projects.

Final decisions on whether a project should receive funding are then made by WEFO on the basis of advice from the relevant Strategy Partnerships.

The formal process is explained in Figure 2.2, adapted from the Auditor-General’s report.

26 The new Programme Complement contains an excellent explanation of the project approval process on page 11
The application and appraisal process

<table>
<thead>
<tr>
<th>Stage</th>
<th>Procedure</th>
<th>Typical time</th>
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<tbody>
<tr>
<td>1</td>
<td>Applicant approaches the relevant partnership to discuss a project idea.</td>
<td></td>
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<tr>
<td>2</td>
<td>Partnership assists the applicant to develop the idea and prepare a pro-forma application which summaries the key features of the project (its fit with the local or regional strategy, likely costs and sources of finance, outputs and links with other projects and strategies).</td>
<td>Project development: about nine weeks (although see paragraph 3.14)</td>
</tr>
<tr>
<td>3</td>
<td>This pro-forma is considered by a subgroup of the partnership board, which assesses how well the project fits with the local/regional strategy, its links with other projects and strategies, the degree of innovation, the extent to which the cross-cutting themes have been built into the proposal, and whether there are adequate monitoring procedures in place.</td>
<td></td>
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<tr>
<td>4</td>
<td>Details on the pro-forma are circulated to other interested partnerships, who have one month to comment</td>
<td></td>
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<tr>
<td>5</td>
<td>After any further development that is needed to reflect the comments received, the proposal is submitted to the full partnership board.</td>
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<tr>
<td>6</td>
<td>If the partnership board decides to support the project, it will help the applicant to complete a full application form.</td>
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<tr>
<td>7</td>
<td>Partnership submits the application form to WETO, indicating its support for the project.</td>
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<tr>
<td>8</td>
<td>WETO appraises the project. It may seek external advice and there is usually an exchange of correspondence with the applicant as queries are resolved. There are two main elements to the appraisal: confirmation of eligibility (checking compliance issues, Community legislation and policies, obtaining comment from Welsh Assembly Government divisions); and appraising the project to ensure that it provides value for money. For the latter, various criteria are considered, including the outcomes of the project, its fit with the strategy laid down in the Programme. Complement links with other projects, the cross-cutting themes, and monitoring and evaluation arrangements. The project is then scored to reflect its potential performance in these areas.</td>
<td>six weeks</td>
</tr>
<tr>
<td>9</td>
<td>WETO prepares a short report on the project, with a recommendation for approval or rejection, and circulates it to partnerships who have commented previously on the proposal at the same time it is members of the strategy partnership. Any comments from the local and regional partnerships are reported to the relevant strategy partnership when it meets.</td>
<td>three weeks</td>
</tr>
<tr>
<td>10</td>
<td>Strategy partnership meets to discuss the project. Its role is to carry out a qualitative assessment on how well the project contributes to the overall strategy (as opposed to the quantitative nature of the scoring system, which may not reflect important matters of judgement). The partnership will recommend approval or rejection or will request further information before making a decision.</td>
<td>three weeks</td>
</tr>
<tr>
<td>11</td>
<td>WETO issues, where appropriate, a formal offer of grant to the applicant, which should be signed and returned within one month. This letter then becomes a contract between WETO and the project sponsor. It sets out the costs, activities, expected results and impacts of the project, and the terms and conditions under which the grant is made available.</td>
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</tbody>
</table>
During the development and the first year of the Programme, there was much discussion about the appropriateness of allocating “indicative financial allocations” to local and regional partnerships. In the event, formal allocations have only been made in respect of the Measures under Priority 3 (Community Economic Regeneration), which is targeted on specific communities representing less than 30% of the total population of the Objective 1 region, and two Measures under Priority 5 (Rural Development) – Measure 4 (Promoting the Adaptation and Development of Rural Areas) and Measure 6 (Promoting Local Economic Development).

2.6 WEFO and Programme Management

As noted above, WEFO was only established on 1 April 2000, in parallel with the new generation of Structural Fund Programmes coming on-stream. Although some personnel and procedures were inherited from the predecessor bodies (the Welsh European Programme Executive Limited and the Welsh Office), this represented a very major management and administrative challenge, particularly given the scale and ambition of the Objective 1 Programme.

As a result, there has been a process of continual development and improvement in WEFO’s capability, procedures and processes over the last three years, including through the course of the period during which this evaluation has taken place. Developments include:

- The development of comprehensive Partnership guidance (issued in 2001 and updated in summer 2002) reflecting the consensus, which only gradually emerged, that local and regional partnerships should not take on so-called accountable body status, which would have involved legal and financial responsibility for ensuring the full eligibility of projects brought forward by the partnership.\(^{27}\)

- Increasing support for partnerships from WEFO including a series of Partnership Bulletins beginning in October 2002, the involvement of a nominated WEFO contact in meetings of each partnership management board and the instigation of regular meetings between a range of WEFO staff and lead bodies (on a sub-regional basis in the case of local partnerships).

- The development of a comprehensive project appraisal framework for use within WEFO, which is now in use, although still being refined.

- The revision of the Programme Complement in the autumn of 2002 to provide a more user-friendly document and to introduce greater coherence in terms of the definition of targets.

- The creation of a Private Sector Unit within WEFO to provide dedicated support to potential private sector applicants, and, more recently (February 2003), the employment of eight locally-based “facilitators” to work with the private sector.

- The transfer, in the case of the European Social Fund, of responsibility for payments to WEFO from the (then) Department for Education and Employment in April 2001, with the full capability of managing the so-called PPDB database (which is used in England to manage the ESF and which is integrated with the inter-active application and project closure forms used by projects) only finally transferring within the last year.

\(^{27}\) The PMC decided in December 2001 that accountable body status would not be taken forward:
Minutes of the Programme Monitoring Committee, 14 December 2001
The migration to a new database (the EFMS) which should provide comprehensive information at project, partnership and programme level on both financial and output data: the first comprehensive reports by partnership were produced in November 2002.

The establishment of a Research, Monitoring and Evaluation Team and the development of monitoring systems which reflect the information requirements of the SPD and Programme Complement, including the introduction of supplementary monitoring returns in the autumn of 2002 and the commissioning of work, jointly with the Department of Work and Pensions, on “soft” outcomes for ESF.

The development of additional guidance on the cross-cutting themes including very recent supplementary guidance on Equal Opportunities and a Gender Equality Conference held in Swansea in May 2002.

The development of a new ERDF/EAGGF/FIFG application form.

### Overview of the Chapter

- Objective 1 is the most important strand of the European Union’s spending on regional and social development. Since 2000, West Wales and the Valleys has qualified for Objective 1 for the first time and the Programme for West Wales and the Valleys is the largest Objective 1 Programme in the UK. It represents.

- The Programme provides for more than £1.14 billion of EU funding to be allocated over the period from 2000 – 2006 in support of projects in a wide range of policy areas including business support, innovation, community economic regeneration, human resource development, rural diversification and strategic infrastructure. Managing such a complex Programme presents major challenges.

- The Single Programming Document (SPD), which governs the way in which the funding should be used (submitted to the European Commission in late 1999) was developed at a time of considerable political and organisational change – notably due to the establishment of the National Assembly for Wales. As a result, a range of key policies have emerged after the finalisation of the SPD. The Programme has also been the subject of intense political debate and scrutiny.

- In Wales, the Welsh European Funding Office (WEFO) oversees the administration of all Structural Funds programmes in Wales, with the aim of ensuring that Wales derives maximum benefit from the Structural Funds. WEFO was only established in April 2000, as the Programme was coming into operation and has had to develop its processes and procedures while implementing the Programme.

- In practice, a series of local, regional and strategy partnerships – with equal representation from the public, voluntary/ community and private/trade union sectors – share responsibility with WEFO for driving the Programme forward, taking particular responsibility for elements of developing projects and processing applications.
3. METHOD

In this Chapter, we outline the work which we have undertaken over the last eight months, in accordance with the Work Programme agreed with WEFO and the Evaluation Advisory Group. This consisted of eight elements:

- Inception
- Review of the Strategy
- Interrogation and Analysis of the Aggregate Data
- Interim Report
- Project Sample
- Process Evaluation and Partnership Case-Studies
- Analysis and Report Writing
- Project Management and administration

The methodology was designed to ensure that each of the key tasks was addressed through evidence gathered from different sources, as shown in Figure 3.1 overleaf

In the sections which follow, we review each of these elements. All research tools (topic guides, survey instruments) were agreed with the Evaluation Advisory Group and are included in the Technical Appendix.

3.1 Inception

This element involved the preparation of a full work plan on the basis of a methodology agreed with the Evaluation Advisory Group and was completed satisfactorily with a meeting of the Group on 7 November 2002.

3.2 Review of the Strategy

This element of the Work Programme involved:

- Undertaking a desk-based survey of an extensive range of European, UK, Welsh Assembly Government, and Assembly Sponsored Public Bodies’ policies and strategies. A list of documents consulted is attached at Appendix 1.

- Reviewing the structure and logic of the SPD and Programme Complement in the light of the experience of European best practice.

- Reviewing the coherence of the baselines and targets set out in the SPD and the revised Programme Complement both with the strategy and with each other.

- Undertaking a range of 17 interviews, involving 23 key individuals including WEFO senior managers, Welsh Assembly Government officials, and statutory, private and voluntary members of the Programme Monitoring Committee, and the All-Wales Policy Group. Although a number of these individuals were selected for their role in Objective 3 (as the same team undertook the parallel Mid-term evaluation of Objective 3), all expressed views on the Objective 1 Programme.

- Undertaking an extensive review of the macro-economic developments since the SPD was written and the implications of these changes for the Programme’s strategy.
Figure 3.1

Relationship Between Key Tasks and Planned Methodology

<table>
<thead>
<tr>
<th>Key Task</th>
<th>Work Element</th>
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<tbody>
<tr>
<td>A Assess the continued relevance of the programme strategy and the need</td>
<td>Analysis and Report Writing</td>
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<tr>
<td>for changes, if any, to its delivery</td>
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</tr>
<tr>
<td>B Assess the degree to which cross cutting themes are integrated into</td>
<td>Interrogation and Analysis of Aggregate Data</td>
</tr>
<tr>
<td>programmes</td>
<td></td>
</tr>
<tr>
<td>C Assess progress against quantified targets</td>
<td>Interim Report</td>
</tr>
<tr>
<td>D Assess progress towards programme impacts</td>
<td>Project Sample</td>
</tr>
<tr>
<td>E Assess progress against performance reserve indicators</td>
<td>Case Studies and Process Evaluation</td>
</tr>
<tr>
<td>F Assess effectiveness of programme processes</td>
<td></td>
</tr>
<tr>
<td>G Identify further benefits, including Community Added Value</td>
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</tr>
</tbody>
</table>
3.3 Interrogation and Analysis of Aggregate Data

This element of the Work Programme involved:

- Reviewing the targets in the revised Programme Complement and their relationship with each other and with the data being collected through the application and monitoring processes. We have taken into account the significant differences between the processes used for ERDF/EAGGF/FIFG on the one hand and ESF on the other.

- Analysing the aggregate data on financial commitment and spend and actual and forecast project outputs provided by WEFO as at 31 March 2003.

- Undertaking an analysis of the conclusions from the ESF Leavers Survey of 2001 for beneficiaries within West Wales and the Valleys.

3.4 Interim Report

This involved the preparation of a confidential interim report for the Evaluation Advisory Group, detailing progress and setting out the detailed arrangements for fieldwork. The report was presented to, and agreed by, the Evaluation Advisory Group on 7 February 2003.

3.5 Project sample

This element of the Work Programme involved:

- Developing a guidance pack for fieldworkers, including a series of topic guides for each element of the fieldwork, which reflected, wherever possible, the requirements of the DTI Added Value study and the parallel work commissioned in England by Department for Work and Pensions on the implementation of the cross-cutting themes as well as the specific requirements of the Commission in respect of EAGGF/Priority 5.

- Undertaking a balanced project sample of 66 projects (see below for further details).

- Undertaking postal survey (837 questionnaires sent out) of beneficiaries from seven ERDF and two EAGGF projects where project sponsors were able to provide us with beneficiary data: these were broken down as follows:
  
  Priority 1: 2 projects (1 local, 1 regional)
  Priority 2: 3 projects (2 regional, 1 local)
  Priority 3: 1 project (local)
  Priority 5: 3 projects (2 local, 1 regional)

- Reviewing the guidance offered to applicants and the (draft) appraisal framework being used by WEFO.

In terms of the project sample the work involved three elements:

- Reading both application and payment files held by WEFO and interviewing the WEFO desk officer responsible for the relevant measure (interviews were taped, except where the interviewee was unwilling: in these cases topic guides were completed on the basis of notes taken).
• Undertaking a brief telephone or face-to-face interview with the relevant partnership secretariat.

• Undertaking a face-to-face interview with representatives from the project sponsor organisation at their premises (interviews were taped, except where the interviewee was unwilling: in these cases topic guides were completed on the basis of notes taken). Where possible, these interviews involved both individuals who had been involved with the application process and those who were responsible for project implementation, although in a minority of cases individuals who had been involved with drafting applications were no longer involved or available.

The project sample was drawn in December 2002. While it represented just less than 10% of all projects approved at that time, most of the sponsors were involved in two or more projects, with some involved in five or more. This meant that, while the focus of the fieldwork was on one particular project, the experience of the process captured related to a significantly wider range of experience.

In terms of Measure, the project sample involved a minimum of two appropriate projects per Measure, except for Priority 2, Measure 1 (ICT Infrastructure), where there were no approved projects and the following Measures, from which only 1 project was included in the sample:

- Priority 2, Measure 5 (Clean Energy Sector Developments)
- Priority 5, Measure 1 (Processing and Marketing of Agricultural Products)
- Priority 5, Measure 2 (Training Services to Help Farming)
- Priority 5, Measure 4 (Promoting the Adaptation and Development of Rural Areas)
- Priority 5, Measure 5 (Investment in Agricultural Holdings)
- Priority 6, Measure 1 (Accessibility and Transport)
- Priority 6, Measure 2 (Energy Infrastructure)
- Priority 6, Measure 3 (Strategic Employment Sites)
- Priority 6, Measure 4 (Environmental Infrastructure)

In the case of Priority 2, Measure 5 and the Priority 6 Measures, the restriction to one project reflected the low numbers of approved projects in the Measures: in the case of the Priority 5 EAGGF Measures, this reflected the need to ensure that the project sample as a whole contained an appropriate balance between the four Funds which contribute to the Programme.

In terms of fund, the split within the project sample was as set out in Table 3.1. below:

<table>
<thead>
<tr>
<th>Fund</th>
<th>No. projects in sample (% of sample)</th>
<th>Total no. of projects (% of all projects) – as at December 2002</th>
<th>Value of all projects approved as % of all funds committed – as at December 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERDF</td>
<td>37 (56%)</td>
<td>315 (47%)</td>
<td>55%</td>
</tr>
<tr>
<td>ESF</td>
<td>19 (29%)</td>
<td>321 (47%)</td>
<td>37%</td>
</tr>
<tr>
<td>EAGGF</td>
<td>8 (12%)</td>
<td>37 (5%)</td>
<td>7%</td>
</tr>
<tr>
<td>FIFG</td>
<td>2 (3%)</td>
<td>4 (1%)</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
<td>677</td>
<td></td>
</tr>
</tbody>
</table>
The sample thus under-represented ESF and over-represented ERDF, EAGGF and FIFG compared to the overall number of projects approved but the balance was closer in terms of value of total commitments by fund to date.

In terms of partnership, 45 of the project sample were projects put forward through local partnerships, with at least two projects from each of the 15 local partnerships; the remaining 21 projects were drawn from projects put forward through regional partnerships.

In terms of project sponsor, the breakdown was as follows:

- Local Authority – 19
- Voluntary/Community – 11
- Private – 9
- ASPB/Welsh Assembly Government - 9
- Further Education – 7
- Higher Education – 4
- Enterprise Agencies – 4
- Sector Skills Councils – 2
- Health Authorities – 1

In terms of project value, the distribution is set out in Table 3.2:

<table>
<thead>
<tr>
<th>Grant offer</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than £100k</td>
<td>13</td>
</tr>
<tr>
<td>£100k - £249k</td>
<td>13</td>
</tr>
<tr>
<td>£250k - £499k</td>
<td>12</td>
</tr>
<tr>
<td>£500k - £999k</td>
<td>11</td>
</tr>
<tr>
<td>£1m - £4,999k</td>
<td>13</td>
</tr>
<tr>
<td>£5m+</td>
<td>4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>66</td>
</tr>
</tbody>
</table>

This represented a heavier weighting towards large projects than is true of the project population as a whole: this was agreed by the Evaluation Advisory Group in recognition of the vulnerability of the Programme to under-achievement by large projects.

Finally, in terms of year of approval, five projects were approved in 2000, 36 in 2001 and 25 in 2002.

### 3.6 Process Evaluation and Partnership Case-Studies

This element of the Work Programme involved:

- Developing a questionnaire intended for full members of local and regional partnerships. The questionnaire asked a range of questions about the perceptions of the
  - Overall operation of the Objective 3 partnerships
  - Effectiveness of the partnership working
  - Outcomes of the Programme; and
  - Added Value of the Programme

Most questions asked respondents to indicate their views on five point Likert scales (ranging from strongly disagreeing to strongly agreeing with a given statement), but
there was added space for them to add additional comments on any issues not covered by the questionnaire.

- Undertaking a range of interviews with Partnership Management Board members, secretariats and WEFO desk officers drawn from five different partnerships. Although the intention had been to include two regional and three local partnerships, having considered the preliminary results of the survey (which showed considerable homogeneity of views from Members of the regional partnerships), it was decided to review only one regional partnership and four local partnerships (one from the central Valleys, one from the Western Valleys, one from West Wales and one from North Wales). In all, 46 individual face-to-face interviews were held with PMB members – balanced across the “thirds” – secretariats and WEFO representatives. All interviews were taped, except where this was refused by the interviewee (where topic guides were completed on the basis of notes taken).

- Reviewing a small sample of “failed projects” – defined as projects which were rejected by the Partnership at proforma stage; were rejected by WEFO and/or the Strategy Partnership; or were withdrawn by the project applicant. Our original intention of sampling failed projects from the partnerships which we selected for detailed research with partnership management board members proved impossible to fully realise, as two of the five partnerships said that they were unaware of any such projects amongst those which had submitted a proforma. In the end, we were able to interview (with a mix of telephone and face-to-face interviews) a total of 12 potential projects which had not received funding.

- Holding four “focus group” sessions for members and secretariats of the Strategy Partnerships, segmented along the lines of voluntary/public/social partners/secretariats. The evidence from these sessions has been complemented by access to the WEFO survey of Strategy Partnership Members on behalf of the Advisory Group on Implementation.

- Approaching each member and adviser of the PMC to arrange to interview them, with the exception of those individuals who had been interviewed in the first phase of “strategy interviews”: those who were offered the opportunity to update us in writing on any changes to their views since the original interview.

3.7 Analysis and Report Writing

The aim of this element of the Work Programme was to provide a synthesis of the results and conclusions of the evaluation, incorporating comments from the Evaluation Advisory Group. This report represents the fulfilment of this element of the Work Programme.

3.8 Project Management and administration

The project has proceeded as envisaged. We have received full co-operation from WEFO staff.
Overview of the Chapter

A thorough work programme for the evaluation was carried out between September 2002 and June 2003 focusing on:

- Inception: agreeing the scope of the project and detailed plans.
- Reviewing the policy context, programme logic and other strategy elements.
- Interrogating and analysing aggregate data collected through applications and monitoring processes, primarily by WEFO
- Producing an interim report for the Evaluation Advisory Group
- Collecting data from a balanced sample of 66 projects: information was drawn from relevant WEFO files and Desk Officers, partnership secretariats and project sponsor staff.
- Reviewing the effectiveness of programme management arrangements, focusing particularly on the work of partnerships.
- Thorough analysis and reporting, working closely with the Evaluation Advisory Group.
- Careful project management and administration.

The research team are sincerely grateful to many people throughout West Wales and the Valleys and more widely for active support and encouragement throughout this demanding work programme.
PART II

FINDINGS
4. THE CONTINUED RELEVANCE OF THE PROGRAMME STRATEGY

In this Chapter, we consider the continued relevance of the Programme Strategy in the light of:

- Changes in the European policy context, principally the further development of the European Employment Strategy, since the SPD was developed in 1999–2000 (Section 4.1)
- Changes in the UK and Welsh policy context over the same period (Section 4.2)
- Macro-economic and labour market change since 1999 (Section 4.3 and Appendix 2)
- A review of the structure of the Programme in the light of experience (Section 4.4)
- A review of the Programme targets (Section 4.5)

It is important to place the findings in this Chapter, and in those that follow, in the context of the inevitable limitations of the work we have been able to undertake. In particular

- As noted in Chapter 2, the Programme management and administration has continued – quite rightly – to change and develop during the lifetime of the evaluation, partly in response to the recommendations of the Auditor – General for Wales’ report “European Union Structural Funds: Maximising the Benefits for Wales”, published in July 2002. For example, two significant changes involve the development of a new ERDF/EAGGF/FIFG application form – which we do not specifically address in this report – and the development of a comprehensive appraisal framework for WEFO case officers, which we have reviewed. Much of the evidence gathered - particularly through the project sample, where we were interviewing projects which had generally gone through the project application process in 2001 - inevitably reflects views and experience of older systems, rather than those now being put in place.

- Central to the work programme for the evaluation has been a project sample which has been undertaken in more depth than has often been the case in similar evaluations. Response rates were excellent (none of the 66 projects declined to be interviewed; with interviews with the relevant WEFO staff were achieved in all cases and with relevant Partnership staff achieved in all but two cases). But, while this has yielded invaluable illustrative information about progress in implementing the Programme on the ground, with 66 projects spread over the 33 substantive measures of the Programme, it would be dangerous to draw substantive conclusions, particularly at Measure level, from the sample.

- In the case of the aggregate data, we are, as all other commentators and the PMC, reliant on the data provided by the WEFO database. We are aware that some doubts have been raised as to the accuracy and comprehensiveness of some of the data.

- In terms of Programme impacts, it was agreed with the Evaluation Advisory Group that we should use the results of the ESF Leavers Survey as the basis for our analysis of ESF beneficiaries. This inevitably has limitations in terms of scale and response rates (See Section 5.4.1). In terms of our own limited survey of ERDF/EAGGF beneficiaries, the response rate was only 14%, with a total of 117 completed responses received. Conclusions from this must be treated with considerable caution.
In terms of our evaluation of process, we were able to interview almost all those partnership management board members who we approached in respect of the partnership case-studies. The response rate to our survey of partnership management board members was generally good. In all, 280 responses were received and have been included in the analysis, a response rate of 53%: 249 identified themselves as chairs, vice-chairs or members of boards, with a further 14 from advisors. However, particularly in the case of individual partnerships, the numbers of responses were small, so results at this level, though of interest, need to be handled with caution. Likewise, while the comments boxes on the questionnaire attracted a large number of contributions, and provide much illustrative material, there is inevitably a degree to which these comments are self-selecting. It was striking that, whereas many of the responses to the formal questions were relatively positive, many of the comments were significantly more critical. This may partly reflect the greater propensity for those who are dissatisfied to take the trouble to respond in this way, but also seemed to reflect a contrast between perceptions of the partnership itself (broadly positive) and the environment within which it was working (broadly negative). Throughout this report, verbatim quotations have been drawn from a wide range of survey respondents and interviewees.

The response to the Strategy Partnership focus-groups were not particularly well-attended (notably in the case of the voluntary and the social partners sessions), with only 19 individuals in total taking part, although the quality of the discussion was high. By contrast, the response from PMC members and advisers was also excellent: in total, this meant that we were able to interview 23 members and advisers to the PMC, either (in five cases) as part of the initial “strategy” interviews in November 2002 or in March – April 2003. In addition, we held brief meetings with three of the European Commission advisers to the PMC (these are not included in the analysis, as the issues covered were not identical to those raised with other members/advisers).

At the same time, while acknowledging these limitations, our methodology has allowed us to triangulate between data derived from different sources, and we have been struck by the extent to which common themes and messages have emerged. These are reflected in this report.

### 4.1 Changes in the European Policy Context: the European Employment Strategy

At the time of writing, the European Commission had not produced its expected guidance on European-level policy developments to be taken into account in the Mid-term reviews. Informal discussions with the Commission as well as the Commission Guidance on the Mid-term evaluation process suggest, however, that the key issues relate to the European Employment Strategy.

Following the evaluation of the effectiveness of the European Employment Strategy at the end of 2002, the European Commission has recently tabled a proposal for new Employment Guidelines for consideration by the European Parliament and the Council of Ministers. The new draft Guidelines suggest a significant change in the Strategy, as outlined in Box 4.1 and should, if adopted lead to some changes in the forthcoming revision of the National Action Plan for Employment.

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28 COM (2003) 6 (01)
### Box 4.1 The draft Employment Guidelines, 2003

The Commission proposes that member-states employment policies be directed towards three overarching objectives and ten priorities for action.

**A. The overarching objectives**

- Full employment (including the attainment of the Lisbon and Stockholm targets\(^\text{29}\))
- Improving quality and productivity at work (particularly through social dialogue)
- Strengthening social cohesion and inclusion

**B. Priorities for Action**

1. Active and Preventative Measures for the Unemployed and Inactive
2. Foster Entrepreneurship and Promote Job Creation
3. Address Change and Promote Adaptability at Work
4. More and Better Investment in Human Capital and Strategies for Lifelong Learning
5. Increase Labour Supply and Promote Active Ageing
6. Gender Equality
7. Promote the Integration of, and Combat the Discrimination Against, People at Disadvantage in the Labour Market
8. Make Work Pay through Incentives to Enhance Work Attractiveness
9. Transform Undeclared Work into Regular Employment
10. Promote Occupational and Geographical Mobility and Improve Job Matching

The draft Guidelines stress that implementation of the Guidelines should be achieved through:

- the mobilisation of all relevant actors, including regional and local actors.
- a strong involvement of the social partners effective and efficient delivery services (particularly a modern system of Employment Services)
- adequate financial allocations, including “fully exploiting the potential contribution of the European Structural Funds, in particular the European Social Fund”

In terms of the overarching objectives, the emphasis in the high-level targets for the Programme of increasing employment and reducing inactivity clearly fit with the objective of working towards full employment and strengthening social cohesion and inclusion, while the SPD might be seen, in part at least, to address the issue of quality and productivity at work through the emphasis on upskilling the employed workforce, notably through Priority 1 Measure 4 (Promoting Adaptability and Entrepreneurship), Priority 2 Measure 4 (Skills for Innovation and Technology) and Priority 4, Measure 3 (Lifelong Learning).

Likewise each of the ESF measures within the Programme can be seen to relate to the Guidelines:

- Priority 1, Measure 4: Guidelines 2, 3 and 4
- Priority 2, Measure 4: Guidelines 3 and 4
- Priority 4 Measure 1: Guidelines 1 and 5
- Priority 4, Measure 2: Guidelines 1, 5, 6 and 7
- Priority 4, Measure 3: Guidelines 4

\(^{29}\) See: [http://www.europa.eu.int/comm/employment_social/employment_strategy/index_en.htm#ees](http://www.europa.eu.int/comm/employment_social/employment_strategy/index_en.htm#ees) for further information
This analysis suggests, however, a number of areas where new aspirations of the European Employment Strategy may not be fully integrated into the SPD. In particular:

- “undeclared work” (Guideline 9): this is an area which is not addressed directly within the SPD or in the Programme Complement. While evidence of “undeclared work” is, by definition, limited, it is probable that high inactivity rates throughout the West Wales and the Valleys area does conceal a level of informal labour, particularly in rural areas. The extent to which this might be capable of being addressed through ESF measures may be open to question, but consideration needs to be given to whether this theme needs to be incorporated into the Programme under Priority 4, Measures 1 and/or 2.

- “making work pay through incentives to enhance work attractiveness” (Guideline 8): again, this does not appear to be specifically addressed through the current SPD/Programme Complement, although it is, of course, a cornerstone of UK Government employment and social policy (through, for example, the National Minimum Wage, the New Deal and the Working Tax Credits system). Given this, it may be thought that ESF is not an appropriate instrument for delivering this policy goal – a view reinforced for the target for this priority of “by 2010 achieving a significant reduction in the tax burden on low paid workers according to national targets”.

- “promoting occupational and geographical mobility and improving job matching” (Guideline 10): although a number of Measures contribute to occupational mobility, there is no emphasis in the SPD/Programme Complement on promoting geographical mobility. Since this appears to be referring principally to mobility between member-states, enabled through greater mutual recognition of qualifications, the transferability of social security and pensions rights and information on job-vacancies in other member-states, it may again be the case that Objective 1 ESF is not an appropriate vehicle for promoting this priority, as geographical mobility of the economically active within Objective 1 to other parts of the EU would be likely to reduce, rather than enhance regional GDP.

More importantly still, there are areas within the EES where, although action is permitted under the Programme, the evidence gathered through the evaluation suggests activity funded within the Programme may be rather limited:

- Although measures to improve the quality of work and promote adaptability in work are accommodated within the Programme, there is relatively little evidence of projects addressing issues such as work-life balance, flexibility in working arrangements and better working conditions (including health and safety at work), all of which are included within this policy field. None of the ESF projects in our project sample specifically addressed these issues, while the aggregate data suggests little progress has been made (see Chapter 5).

- Likewise, while Priority 4, Measure 5 (Improving the Participation of Women) offers an opportunity to address the Commission’s priorities under Guideline 6, notably “a gender mainstreaming approach and specific policy actions to progressively eliminate gender gaps in employment rates, unemployment rates and pay...including sectoral and
occupational segregation, education and training, job classifications and pay systems...” both of the projects in our sample (and, it would appear, the majority of approved projects under the Measure) are focused more on increasing female participation in training and employment, rather than addressing pay differentials and horizontal and vertical segregation.

- Finally, while older people (50+) are specifically mentioned under Priority 4, Measure 2 (Social Inclusion), evidence from the ESF leavers survey (see Chapter 5) suggests only 14% of beneficiaries were in this age group, although they were more likely than beneficiaries as a whole to be lacking qualifications, long-term unemployed, disabled or suffering from health problems. Our project sample identified no projects with a specific emphasis on older people, and this would appear to be an area within the Programme which could be strengthened.

### 4.2 Changes in the UK and Welsh Policy Context

#### 4.2.1 Evidence from our Desk Analysis

As noted in Chapter 2 above, the fact that the bulk of the SPD was drafted immediately before, or in parallel with, the elections to the new National Assembly for Wales meant that it was written in something of a “policy vacuum”.

Conversely, in the period since 1999, a striking range of policy documents and strategies has appeared from the Welsh Assembly Government, reflected in the long list of relevant policy documents which we have reviewed (Appendix 1). Most important, of course, is the development of a final National Economic Development Strategy for Wales (NEDS) for the period to 2010 - “A Winning Wales”: although originally developed in parallel with the Objective 1 Programme, the final version of the Strategy was not approved until December 2001. There have also been key institutional developments, including the creation of the National Council for Education and Training in Wales – ELWa, which took on responsibility for all post-16 education and training (with the exception of Higher Education) in April 2001.

A Single Programming Document written today would necessarily contain a very different analysis of the Policy Context (Chapter 4) than the current document.

However, the essential issue is less whether the context has changed than whether it has changed in a way which is broadly consistent with the policy prescriptions of the SPD.

Our analysis of the broad sweep of policy documentation suggests that there are few obvious discontinuities in terms of policy goals between the policies and strategies which have emerged since the SPD was drafted, but that there are relatively few examples of policy documents which explicitly reference the Objective 1 Programme as a means by which to realise these goals. Of course, to some extent this may reflect the tendency of such documents to concern themselves with overall aims and objectives rather than implementation mechanisms but a number of issues have emerged from the research.

While the underlying analysis and goals of the SPD and other key strategy documents (the NEDS, the Skills and Employment Action Plan, Communities First, Cymru Ar Lein) are well-aligned, this would appear to be more the result of the fact that there
is an increasing consensus on what the problems faced by Wales are than any conscious integration of the Objective 1 analysis into policy thinking and development.

It is also striking that few Welsh-originated policy documents specifically segment either their analysis or their policy prescriptions according to the division between East Wales and West Wales and the Valleys. Where strategy is segmented, this is usually through the “economic regions” of South-West, South-East, North and Mid Wales – all but one of which straddle the East Wales/West Wales and the Valleys division. This makes it more difficult to trace the direct relationship between these other strategies and the Objective 1 Programme.

In terms of specific issues, Welsh language issues – including the need for enhanced provision of post-16 education and training in the medium of Welsh - have a distinctively higher profile in the Corporate Strategy and Plan of the National Council – ELWa and the recent policy documents of the Welsh Assembly Government than they do in the SPD and Programme Complement.

Agriculture and Rural Development appears to be a policy field where there is very close integration at a strategic level between Objective 1 and domestic policy. The critical policy document here, “Farming for the Future”, closely reflects the themes of the SPD and its 50 Action Points, while mixing policy-lobbying goals with organisational improvements, crucially involve the use of the Structural Funds and Rural Development Plan resources to achieve its objectives of better relations between producers and consumers; raising the incomes of farming families, through improved quality and more effective marketing, and diversified income sources; helping the industry to respond to competitive pressures through advice and financial support for modernisation, assistance for young entrants, and less regulation.

In the case of another major Assembly initiative, Communities First, the alignment with the Objective 1 Programme appears less well-embedded. Communities First is the Welsh Assembly Government’s flagship long-term (minimum ten-year) community development programme, which was launched in 2001 following a consultation the previous year. It is focussed on 132 wards and part-wards across the whole of Wales, as well as a small number of “communities of interest”. While the analysis of social exclusion and the policy approaches being followed by the programme are broadly similar to those in the SPD (and are in line with the EU and UK Government’s approaches to social inclusion and community development), the geographical targeting is not wholly consistent with the targeting in Priority 3 of the Objective 1 Programme. While Communities First partnerships are encouraged to access funding from Objective 1, the Welsh Assembly Government has not itself sought to access Objective 1 money to match fund Communities First.

There would appear to be relatively close integration of Objective 1 funding and policy with a number of other major domestic initiatives aimed at Business Support, for example, the Entrepreneurship Action Plan, Finance Wales, the Techniums initiative, Broadband Wales and the Knowledge Exploitation Fund. Each of these has led to the development of large projects which are either already being funded by the Programme or, in the case of Broadband Wales, are currently in development.

In some cases, however, delays in the development of strategic policy frameworks appear to have impeded or slowed the implementation of the Programme. This certainly is a widespread perception in the case of Business Support, where the report of the Assembly’s Economic Development Committee in January 2001 (the “Driscoll” review) and the consequent changes to the delivery of business support (not yet fully implemented) has resulted in a degree of uncertainty and confusion. The
implementation of infrastructure measures in Priorities 2 and 6 has also been delayed, while the Assembly has developed its policies on broadband infrastructure, transport and energy while the lack of an explicit spatial strategy has led to prioritisation of strategic sites under Priority 6 being undertaken within the context of the Programme, rather than as a result of wider strategic plans.

In terms of **Human Resource Development**, the full implementation of the New Deal for Young People and the development of the New Deal for 25+, flagged up in the Government’s Green Paper “Towards Full Employment in a Modern Society”, with earlier interventions and a wider range of options for older long-term unemployed has reduced the numbers of long-term unemployed significantly. Although it is not wholly clear how far Structural Funds might be needed to add value to the enhanced New Deal in future, it would appear possible that the continued commitment of considerable Government resources to this group will reduce demand for Structural Funds support for such curative measures.

### 4.1.2 Evidence from our Project Sample

In the majority of projects within our project sample, the links between the project and national strategies appeared to be “opportunistic”, that is the sponsor was able to demonstrate ways in which the project fitted in with appropriate strategies, but without the strategies themselves having prompted the project development, which usually resulted from the institutional or organisational priorities of the project sponsor. This is reflected in the relatively high proportion of revenue projects which were the extension of initiatives previously funded by pre-1999 Structural Fund programmes, before either the SPD or the National Assembly strategies were in place: seven out of 14 Priority 4 projects, for example and at least five of the 11 Priority 1 projects, although sometimes with amendments to various aspects of project design.

There was more evidence of strategic linkages between projects within our project sample and national policies in Priorities 2 and 5. Particularly in the case of Priority 5, many of the projects supported flowed directly from high-level national strategies for the relevant sectors. In the cases of agri-food, forestry and fisheries the projects supported were consistent with national policy in the respective sectors and, in the case of agri-food, the SPD was formulated to deliver an existing sectoral action plan, with the two central initiatives – Farming Connect and the Agri-Food Strategy being co-financed by Objective 1.

### 4.1.3 Evidence from the Process Evaluation

A clear majority (15) of the PMC members and advisors we interviewed (n = 23) expressed concerns about the effectiveness of the integration at the point of delivery or implementation between the SPD and Programme Complement and other domestic policy initiatives and strategies. (The remaining interviewees either did not comment on this issue or indicated they were happy with the fit across strategies). A total of 10 PMC members observed that these strategic links would have been better developed had the economic development strategy for the whole of Wales (‘A Winning Wales’) been developed before the SPD. As one interviewee commented “things happened the wrong way round – there was no underlying economic development strategy”.

All of the six voluntary sector PMC representatives who raised concerns about the effectiveness with which strategies were integrated (plus two of the statutory advisors interviewed), highlighted the difficulties in integrating or meshing the Communities First initiative with Priority 3 of the Objective 1 programme ‘on the ground’. This was perceived as a being a major threat to the capacity for Communities First funding to be
used as a source of match funding for Objective 1 projects. Difficulties cited included the inconsistencies between the spatially targeted areas under Priority 3 and the deprived electoral wards targeted for Communities First support; and the insistence of Priority 3 on separating projects for capacity building and other activities (which was considered to be a less flexible approach to that adopted under Communities First programme).

Other areas of policy and strategy where individual PMC members or advisers pointed to concerns over the integration with the Objective 1 Programme included the Assembly’s strategies for broadband infrastructure; sites and premises development; the recent Driscoll review of business support; the Innovation Action Plan; and linkages between education and economic development in Wales. One strategy consultee highlighted the introduction of the new Assembly Investment Grant, which provides support for small capital investment projects by SMEs as a policy initiative which potentially had a significant impact on the Objective 1 Programme, but which was not well integrated with it. It was felt that might displace demand on the “Finance Wales” projects (which offer loan finance) and a number of other local Objective 1-funded projects, while not itself drawing on Objective 1 funding.

4.3 Macro-economic and Labour Market Changes Since 1999

Appendix 2 contains a detailed analysis of macro-economic developments since the drafting of the SPD and a critique of the overarching programme targets.

Our overall conclusions are that:

- The “Analysis of the Current Situation” in Chapter 2 of the SPD represented a fair summary of the economic problems facing the West Wales and the Valleys area, including the variation within the Programme area. Caveats, however, include the lack of explicit attention devoted to the dependent nature of the Welsh economy, with its high degree of reliance on external ownership (both overseas and elsewhere in the UK); the reliance on GB/UK comparators - which are distorted by the performance of London and the South-East - rather than comparing Wales with other regions of the UK; and the lack of attention devoted to the capacity of the Welsh economy to generate goods and services for external trade, an area where statistical data has improved since the SPD was written.

- The over-arching GDP target - to raise the GDP of the region to 78% of the UK average by 2006 - is based, together with the two other over-arching targets - on a thorough analysis of the GDP “gap” between Wales and the UK as a whole. Nevertheless, it presents a number of issues due to the margin of error in GDP calculations at a regional level which means it will be difficult to assess whether targets have been met or not; the difficulty of making linkages between the Programme activities and changes in GDP, given the far greater impact of developments in the global and national economy; and the fact that, by setting a target in terms of relative performance against the UK economy as a whole, the degree of influence exerted by developments within the region is less than would be the case if the target were set in

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30 See the background analysis for “A Winning Wales” at http://www.wales.gov.uk/themesbudgetandstrategic/content/neds/analysis_jan2002-e.htm
terms of a growth rate in real GDP within the region (although national statistics do not yet provide regional estimates of GDP in real terms). There are doubts as to whether the GDP target is achievable, in the light of prospects for economic growth, and these methodological issues.

- In terms of the other two overarching targets – to create 43,500 net additional full time jobs in the region and to reduce economic inactivity by 35,000 - these are appropriate but very ambitious targets. In the case of the former, this may well be over-ambitious, given historical trends in the labour market and continued difficulties, particularly in manufacturing, over the early years of the Programme, although recent survey data from the Labour Force Survey has suggested some significant increase in Welsh employment e.g. figures for the first quarter of 2003 showing the number of employees in employment had increased by 4.7% compared with 12 months previously.

- In view of the revision of the Programme Complement in 2002, with data mostly based on 1999-2000 datasets, it is too early to attempt to update this baseline data and it is far too soon to examine whether activities under the Objective 1 programme are feeding through into baseline indicators posited in this way.

- In overall terms, new statistics published in the period 1999-2003 have tended to consolidate the conclusions found in the SPD. Recent information continues to highlight the fact that West Wales and the Valleys (and Wales as a whole) continues to lag behind other regions, and faces severe problems that are rooted in the area’s industrial and employment structure. In particular, the problems of the manufacturing sector are impacting on earnings and hence GDP, with relatively well-paid jobs in manufacturing being replaced by less well-paid jobs in the service sector, where pay differentials between Wales and the UK as a whole are large. While the most recent Labour Force Survey data suggest a significant increase in employment, it is too soon to be sure that this represents a firm trend, and gross employment estimates show employment levels being maintained. The most recent figures for new firm formation rates show rates remaining below those for Wales as a whole and significantly below those for the UK. A ‘current description’ written in Spring 2003 would paint a somewhat bleaker picture than that contained in the original SPD.

- This analysis in no sense reflects a “failure” of the Programme, which, given the time-lag of data becoming available and the low levels of actual spend to date, could not be expected to have impacted on economic trends. Rather it reflects generally adverse economic conditions in the UK and global economy. This does, however, “move the goalposts” in terms of the achievability of the over-arching economic targets of the Programme.

In terms of more specific developments over the last three years:

- **Foot and Mouth Disease** clearly represented the major external shock to the rural part of the region. This was highlighted by a considerable number of our strategy consultees in the early part of the fieldwork (November/December 2002), although interestingly emerged less
strongly as a theme by the time of our PMC interviews at the end of the fieldwork in March/April 2003. This, perhaps, reflects the essentially short-term impact of the crisis, although these were severe: according to estimates by the Welsh Assembly Government’s Economic Advisers, it may have resulted in a reduction of GDP over the whole of Wales in 2001 of between 0.5 and 1 per cent (though this is now thought likely to be an over-estimate). While it is clear that the crisis has set-back the implementation of certain elements of Priority 5 (notably those related to on-farm investment, but also those connected with access to the countryside in Measures 7 and 8), it is possible that the effects will also have longer-term implications for the balance of activity within Priority 5. The Agricultural Census for 2002 suggested a sharp fall in the number of regular farm workers and the number of farmers working full-time, and this may have implications for the realism of the Programme’s allocations and targets for Measure 1 (Processing and Marketing of Agricultural Products). Conversely, the additional blow to farming represented by FMD has increased still further the salience of diversification, which is a central feature of the Programme.

- **Long-term Unemployment** has continued to fall - partly as a result of policy changes in respect of the New Deal. The changing pattern of unemployment suggests that there may be a need for a still greater emphasis on those who are inactive, as opposed to registered unemployed, in those parts of the Programme which are focussed on supply-side interventions in the labour market. A number of our interviewees highlighted the fact that it might be necessary to examine the balance between “curative” actions and broader social inclusion interventions.

- While the continued sharp decline in **manufacturing employment** and productivity highlighted in our analysis and symbolised by the CORUS closures in Ebbw Vale is a critical issue in terms of the changing economic context for the Programme, it is less easy to see any immediate ways in which this might necessitate changes in the broader Programme strategy, since it represents the intensification of a trend already well-recognised in the SPD.

### 4.4 The Programme Logic Revisited

#### 4.4.1 Evidence from our Desk Analysis

From an analysis of the SPD from the perspective of the Commission guidance on *ex ante* evaluations and best practice, it is clear that the SPD and Programme Complement are fully in line with the requirements of the European Commission, as set out in the Structural Fund Regulations: they present a logical and comprehensive explanation of the strategy and contain all the key ingredients which would be expected. (See Figure 4.1).
However, a number of points can be made:

- While comprehensive, the documentation is extremely long, with considerable overlap between the SPD and the Programme Complement: this is understandable in view of the fact that the concept of the Programme Complement was new in the 2000-2006 Programmes, but nevertheless points to the need for a “lighter touch” in the SPD.

- The individual Priorities and Measures are generally well-articulated and there is a high level of internal coherence between the Measures and the Priorities in which they are located. There are, however, a large number of individual measures – 33 (or 37 including the Technical Assistance measures under Priority 7).

- While the headline objectives are clearly and consistently stated throughout, there is a contrast between the strongly economic focus of these Objectives and the wide range of potential interventions envisaged under the Priorities and Measures. The SPD provides a clear explanation of the rationale and objectives of each of the Priorities and Measures in terms of market failure and the need for intervention, but what is less well articulated is how all of the Measures, many of which have a social or environmental focus, contribute to the headline objectives.
• There is a striking diversity and range within the Programme, an air of “something for everybody”, in that nearly every conceivable intervention tends to be present. This heterogeneity could be seen as reflecting the flexible, bottom-up approach to the development of the Programme, but it presents problems in terms of the overall focus of the Programme on raising GDP, job-creation and combating inactivity, and runs the risk of the Programme becoming a menu of options, rather than an action plan.

• The Priorities represent a mixture between ones which are essentially “sectoral” in nature - Priorities 1, 2 and 4 - and Priorities which are more geographically targeted - Priorities 3, 5 and to some extent 6. This potentially creates scope for some confusion and/or duplication (examples might be Priority 3, Measure 1 and Priority 4, Measure 2; or Priority 3, Measure 3 and Priority 1, Measure 5) and could, for example, partly explain the apparently low take up of funding in Priority 3 (see Chapter 5).

• In terms of the allocation of resources between Priorities (see Figure 4.2), the rationale for this is not clearly explained in the Programme documentation. Taken at face value, the relatively high level of resources allocated to Priorities 1 and 4 (which together account for 50% of the funds) would appear to be broadly consistent with the central objectives of generating employment and reducing inactivity, while the budget for Priority 6 seems low given the infrastructure difficulties which the Region currently experiences and the impact which peripherality has on economic development. The level of funding for Community Economic Regeneration also appears relatively low – only one-third of the allocation for Priority 4 (Developing People).

![Figure 4.2: Financial* Allocations by Priority (2000-06).](image)

* Refers to Public Funding only.

P1= Expanding & Developing SME Base; P2= Innovation & knowledge based economy; P3= Community Economic Regeneration; P4= Developing People; P5= Rural Development; P6= Strategic Infrastructure; P7= Technical Assistance.

4.4.2 Evidence from the Project Sample

In terms of the project sample, we sought to understand issues surrounding the Programme Logic and Structure through investigating the extent to which projects fitted neatly within the appropriate Priority and Measure under which they were being funded. While the majority of projects appeared to have had little difficulty in “fitting”
within a specific Measures, a number of areas did emerge where the Programme structure and documentation was leading to difficulties:

- In terms of Priority 1, the link between ESF projects funded under Measure 4 and SMEs was not always very direct. This measure has accommodated a number of projects involving high-level vocational qualifications provided within Higher Education, which were not seen (by HE institutions, WEFO and the HRD Regional Partnership) as having a “home” elsewhere in the Programme. In one project in our sample, though the project was likely to have real benefits in terms of the employability of the individuals and would meet a defined regional skills need, none of the beneficiaries was in employment and the evidence suggested few beneficiaries would be likely to secure employment within SMEs.

- In terms of ERDF measures under Priority 2, in our judgement, a number of projects in our sample were generic business support projects with an ICT element and might have fitted equally well, or even better, with Priority 1 and, in the ESF measure, a certain amount of generic personal and management development training seems to have been promoted, alongside specific “innovation and technology skills development”.

- In Priority 3, the separation between “capacity building” (in Measure 1 and Measure 2) and “action” (in Measure 3) was felt by many project sponsors to be arbitrary and lacking in clarity, since community capacity building was best achieved through definite action, rather than in a vacuum. One Measure 3 project admitted that it had sought funding under this Measure rather than Measure 2 because it was “the most difficult to get a handle on, therefore it’s a matter of best fit.”

- In Priority 5, despite the large number of measures, there was relatively little evidence of a poor fit between projects and the measures under which they were being funded: this partly reflects the sectoral nature of most of the measures. There was, however, some evidence of the potential overlap between Priority 5, Measure 4 (Promoting the Adaptation and Development of Rural Areas) and Priority 3. Several projects in our sample were delivering generic capacity building support to communities which seemed very closely aligned to the support available under Priority 3, arguing that the low coverage of Priority 3 in rural areas and the nature of deprivation in rural communities made it impossible to target such activity only on Priority 3 areas: in one case, this point of principle had been specifically raised with the Commission by WEFO before the project was approved, who confirmed that it would be acceptable.

- With regard to Priority 6, the Project Sample also highlighted a specific issue with regard to the eligibility of the entire region for support under the Priority. The SPD talks of action being taken “in the more westerly (or other peripheral) areas of the region” but this does not appear to be clearly defined. In practice, it does not appear that restrictions are being applied, with the exception of Measure 2 (Energy Infrastructure).

- More generally, the articulation of the difference between ESF measures was not always clear. In particular, Priority 2, Measure 4 (Skills for Innovation and
Technology) appears to have been used to fund generic high-level training which has little formal link to the research and development base, partly due to the fact that Priority 1, Measure 4 was “closed” for a period in 2001. Likewise, while Priority 4, Measure 1 (Preventative and Active Employment Measures) is clearly intended for addressing the needs of the unemployed or inactive (or those threatened with redundancy), two of the three projects we sampled were providing support principally to those in employment or individuals who had entered full-time training straight from school (both were in the course of submitting succession projects under Priority 4, Measure 3). In the case of Priority 4, Measure 5 (Improving the Participation of Women in the Labour Market), both the projects in our sample were concerned with encouraging socially excluded women back into training and employment and might have been funded under Priority 4, Measure 2.

- In another case a project in our sample highlighted the potential lack of clarity over whether ESF interventions in Priorities 1 and 2 were targeting individuals or companies HR needs. A project funded under the lifelong learning Measure (Priority 4, Measure 3) had been developed as part of, and was being delivered integrally with, a project under Priority 1, Measure 4 (Promoting Adaptability and Entrepreneurship) – the difference being that employees of large companies or public sector organisations were funded under the former, with SME employees being funded under the latter.

- We found some evidence of projects where (despite the broad-base of the Programme), the lack of specific provision for certain activities was leading to “shoehorning” of projects into Measures. This was true of a major tourism project in Priority 1 and also of a project submitted under Priority 6, Measure 1 (Transport) where the sponsor perceived the true added value to come from the impact on business confidence and visitor numbers of a project which brought both public transport improvements and urban regeneration enhancements of the sort funded under previous ERDF programmes, but not specifically provided for in the current Objective 1 Programme.

4.4.3 Evidence from the Process Evaluation

As we have seen, interviews with PMC members and advisers indicated a strong sense that both the SPD and the logic of the Objective 1 programme and strategy in Wales were adversely affected by their being developed at a time of institutional, administrative and policy upheaval in Wales.

The vast majority of the PMC members and advisors we interviewed indicated that they recognised and supported the overall logic of the Objective 1 programme. The four interviewees that dissented from this view (where n = 23) all stated that they felt the Programme lacked coherence and contained inherent tensions. A representative view was: “it’s trying to be top-down and bottom-up at the same time”.

A majority of PMC members and advisors (13, where n = 23) felt that the balance between priorities and measures was wrong, with the rest indicating that they were broadly happy with the balance in the Programme. Those that expressed concerns drew attention to a number of different problems:

- All five voluntary sector members who commented on this all drew attention to problems caused by spatial targeting in Priority 3 which was perceived to create particular difficulties in matching funds in certain geographical areas.
• Members from all “thirds” believed there was insufficient emphasis within the programme on infrastructure improvements, including a lack of sufficient provision for improving existing (decaying) industrial infrastructure. This view was also expressed strongly in two of the local partnerships where we conducted interviews.

• There was also a perception amongst a minority of PMC members that there was too much emphasis on the programme on business support.

• Several members and advisers felt specifically that not enough support had been made available for renewable energy under the programme, while two of the interviewees felt that arts, culture and tourism had been omitted from the Programme.

• Finally, three PMC members also believed that the programme was fragmented because of the diverse range of priorities and measures included, which, it was said, had made it difficult to put forward co-ordinated bids across measures.

4.5 The Structure of Programme Targets

4.5.1 Evidence from our Desk Analysis

One of the most striking aspects of the Objective 1 SPD and the revised Programme Complement is the extent and ambition of the quantification of targets.

At Appendix 3, we present an analysis of the hierarchy and structure of targets.

Despite the considerable effort which has gone in to the revision of the Programme Complement and which represents a significant improvement in terms of providing understandable definitions of key indicators (Annex B) of the Complement compared to previous Programmes, we are concerned at the very elaborate nature of the framework, which represents a challenge for project applicants, programme managers and evaluators alike.

This issue needs to be seen in the context of past evaluations, both in Wales and elsewhere which have highlighted definitional and methodological problems for many indicators used in Structural Fund Programmes: the Mid-term evaluation of the 1997-99 Objective 2 Industrial South Wales Programme observed “Flaws in the monitoring data mean that it is unsafe to make a clear judgement as to whether the Programme is on course to achieving the planned SPD outputs”, while the Mid-term evaluation of the Objective 5b Rural Wales Programme noted that the predicted outputs for Jobs safeguarded (at 72,000) was not credible given that this represented more than 50% of jobs in the region, and was 1,000% of the Programme level target, despite the fact that only £63 million of grant had been committed. 32

Our main findings are as follows:

• The sheer number of targets – while it reflects the diversity of the interventions possible under the Programme and the legal need to ensure that some quantifiable targets are set for every approved project – is a potential problem in terms of data collection and evaluation, and may well lead to confusion on

32 ECOTEC, 1999, PIEDA 1997
the part of project sponsors and applicants. In all there are 132 non-ESF targets on which data is collected.

- While the key targets are now well defined, a considerable number of the targets remain lacking in clarity: e.g.
  - No. of individuals helped in other entrepreneurship initiatives
  - No. of work modernisation projects
  - No. of communities benefiting from ICT based projects
  - Collaborative projects between companies and research institutions
  - No of people participating in local economic, social and environmental development activity
  - Local people involved in planning and developing strategies, partnerships and community initiatives
  - No of community initiatives still active after 2 years
  - Inter-agency partnerships/regeneration initiatives supported
  - No. of learning initiatives established
  - No of partnerships/networks established (P4, M3)
  - No. of existing learning facilities upgraded
  - No. of new learning facilities developed
  - No of projects developing new learning materials
  - Units of learning accommodation upgraded
  - Agricultural training schemes promoting environmentally friendly best practice
  - Initiatives that address issues for disabled people, women and ethnic groups (P5, M4)
  - Businesses operating at improved efficiency due to improvements leading to the adoption of best practice (P5, M5)
  - No. of local facilities improved (P5 M6)
  - Visitor initiatives supported (P5 M8)

- Many of the Measure-level targets in the revised Programme Complement do not feed into the Priority level targets in the SPD, and, where they are linked, it is not always easy to understand the aggregation of Measure level targets at the Priority level because of confusing terminology, as illustrated below in the case of Priority 1 targets for SMEs assisted:

<table>
<thead>
<tr>
<th>Priority level targets</th>
<th>Measure level targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,000 SMEs Assisted</td>
<td>2,000 new and existing SMEs receiving financial support (M1)</td>
</tr>
<tr>
<td>6,000 Start-Up SMEs Assisted</td>
<td>4,000 Existing SMEs receiving financial support (M1)</td>
</tr>
<tr>
<td></td>
<td>15,000 potential entrepreneurs, new and existing SMEs given advice/information (M2)</td>
</tr>
<tr>
<td></td>
<td>1,000 new and existing SMEs given assistance” (M2)</td>
</tr>
<tr>
<td></td>
<td>10,000 new and existing SMEs receiving information/advice (M3)</td>
</tr>
<tr>
<td></td>
<td>5,170 &quot;new and existing SMEs receiving assistance</td>
</tr>
</tbody>
</table>
While the headline figure of 31,000 businesses (or in the case of Measure 2, potential businesses) receiving some sort of support can be found by aggregating a range of these different figures, it would appear that the Priority level target cannot be equated with 25,000 existing and 6,000 start-up SMEs receiving assistance, in the sense defined in Annex B (“2 full days or more of consultancy support”). This highlights the need for revision of the SPD in line with the definitions within the Programme Complement.

- In terms of the critical issue of new jobs created, it would appear that current approaches involve aggregating direct and indirect jobs created by projects, although jobs accommodated in sites/premises supported by Objective 1 funding are no longer being aggregated with these figures, as was the case up to December 2002.

- A number of ESF targets within the SPD for results and impacts are expressed in percentages (although these have been replaced by numeric targets at Measure level in the Programme Complement): while this is acceptable to the European Commission, the mix of percentage and numeric targets risks confusion and obscuring the success or otherwise of the Programme: for example, taken on its own, the Priority 4 level target of 50% of beneficiaries obtaining qualifications as a result of the Programme could be achieved even if 500 of a total 1,000 beneficiaries acquired qualifications, whereas the intention is clearly that 50% of the target number of beneficiaries (127,000) i.e. 62,500 individuals should gain qualifications as a result of this Priority.

- The data collected through the ESF application process (which uses interactive application forms developed by the DfEE for the UK as a whole) does not relate to the targets set by the SPD/Programme Complement. WEFO are well aware of this, and have now put in place a supplementary data sheet which projects are required to complete once they have received an offer of grant, and which forms the basis for monitoring. While this fulfils the data requirements, it is clearly not well-integrated into the main ESF systems. By the same token, it is not clear how some of the data that is gathered at the application and closure stages will be used.

- The SPD and the revised Programme Complement attribute job creation targets to ESF measures Priority 1, Measure 4 (Promoting Adaptability and Entrepreneurship) and Priority 2, Measure 4 (Skills for Innovation and Technology). Conventional practice with regard to ESF is to specify results indicators in terms of beneficiaries in work on leaving, (as is reflected in Priority 4 of the Programme) which recognises that human resource interventions are supply-side measures which equip individuals with the skills to access employment rather than themselves create jobs. While it may be reasonable, in the case of employed beneficiaries to set targets for jobs safeguarded, we would question the validity of setting job creation targets for these measures.

4.5.2 Evidence from the Project Sample

Our project sample suggested a high degree of frustration and confusion over the targets set by the Programme. There was a general view that the indicators were both too complex and yet, paradoxically, also failed to capture much of the more essential
aspects of individual projects (although none of those we interviewed wished to see additional targets set by WEFO):

- 13 of the 16 project sponsors in our sample of Priority 5 felt that there was evidence of positive impacts not captured by the monitoring data and that the monitoring data often had a very narrow focus as they primarily related to the employment aspects of projects. Issues such as the impact of projects on local communities or on individual sectors e.g. aquaculture were often perceived as not captured. Very often the monitoring data did not measure what appeared to be the central objective of individual projects.

- Every project in the Priority 3 sample felt that the monitoring data failed to capture the real outcomes of the work that was being undertaken. Two of the projects sampled had job outputs that were not being collected under the measure, because no targets for jobs were set in that measure. Other results were too ‘soft’ to be recorded by the Objective 1 monitoring systems, but were being collected by other Welsh Assembly Government departments providing match-funding in the form of short qualitative progress reports. Some of the less predictable outcomes reported to us but not collected were:
  - Increased trade as a result of local events
  - ‘Capacity building’ of local authorities through a different approach to a community development
  - Spin off projects bringing in other funding
  - Increased community confidence
  - Increased pride and confidence in the locality demonstrated by an improved environment

- In terms of Priority 4, overwhelmingly, project sponsors argued that monitoring failed to capture key information about progression and other ‘soft’ outcomes and impacts, especially in the longer term. This did not mean that they wanted the impacts subject to formal monitoring (a point which was also strongly made at WEFO’s ESF conference). Important ‘soft’ impacts were thought to be:
  - Beneficiaries’ confidence, ambition and motivation levels
  - Beneficiaries’ propensity to learn and continue learning
  - Beneficiaries’ attitudes towards work
  - Increased awareness of the problems faced by certain disadvantaged groups
  - Levels of community involvement among beneficiaries
  - Reduced crime rates in certain communities
  - Improved links between learning providers and employers
  - A better understanding of skills needs (Measure 6 projects)
  - The availability of more attractive facilities (Measure 4 projects)

We also found evidence of significant variations in the definitions being applied even to key indicators:

- In terms of ESF projects, there was a considerable variation between projects in the approach to defining beneficiaries. In some projects, beneficiaries who received only limited advice and guidance or signposting were counted, while other projects routinely discounted individuals who benefited from such support or from “taster” courses, but did not progress onto any more
substantial intervention. In this context, it is worth noting that the revised Programme Complement does not provide guidance on the definition of core ESF indicators.

- Again, in regard to ESF, the way in which completers and leavers were recorded differed across projects (the number of beneficiaries completing their courses is a core results target for all ESF measures). Indeed, it was argued by some that the notions of ‘leavers’ and ‘completers’ fitted better with traditional course based models rather than with more informal approaches to learning.

- In terms of jobs, we found several examples of projects counting project staff paid for by the project (and in one case, volunteers) as permanent jobs created/safeguarded, even when there was no guarantee that these jobs were sustainable once the project was completed. In one Priority 3 project, safeguarded jobs were being counted as new. One project sponsor explicitly defined “direct jobs” as those created within projects and thus by definition not sustainable.

- We also found examples where the linkages between jobs claimed (albeit as indirect jobs) and the intervention were relatively weak: that is where the intervention may have been a necessary but not sufficient condition for the creation of the job. For example, one project which provided very limited revenue funding for a training centre (essentially the project manager’s salary costs), claimed that 800 jobs had been created as a result of the contribution the centre made to attracting a major inward investment. Even as a gross figure, such definitions risk undermining the credibility of the data.

- A further issue relates to larger projects (notably in Priority 5) where targets have been set on a pro-rata basis to the overall Measure-level targets. While this is understandable from a programme management perspective, if (as seems likely in a number of these cases) the targets are unrealistic, this risks distorting the forecasts recorded on the monitoring database.

- Although the revised Programme Complement provides clear definitions for providing assistance and advice to community groups, we found several examples where these definitions were not employed in practice, with groups counted as having been supported even if they were benefiting from only limited and occasional assistance, alongside ones who were receiving very intensive capacity building support.

In terms of the potential for double-counting, projects generally had robust systems in place to ensure that individual or SME beneficiaries were not double-counted. It was much less clear that any tracking system was in place to ensure that there was no double counting between projects (although ESF projects routinely asked beneficiaries about previous ESF involvement). Indeed, many of the project promoters recognised that, with the volume of European funding available in the region, double-counting between projects was inevitable.

### 4.5.3 Evidence from the Process Evaluation

PMC members and advisors were also invited to comment on the structure, relevance and attainability of the programme targets. In total, 12 of those we interviewed (where n = 23) stated that they felt that the over-arching targets for the Programme (i.e. for GDP and employment growth) were too ambitious and were not clearly linked to the
actions being supported by the programme. The remaining interviewees did not comment or felt that targets were appropriate. (It should be noted that many of the interviews took place around a PMC meeting which had spent some considerable time discussing targets, data, performance, monitoring issues – which might affect nature and strength of views raised here).

Nine PMC members indicated that they felt there were problems with the way in which targets were being defined and collected, and thus with their meaning and validity. A representative view was: “many targets are being exceeded in a way which suggests there are major flaws including in important indicators like jobs safeguarded. This suggests you have to question their validity”. Several members also suggested that the emphasis on quantitative targets had lessened the focus upon qualitative targets or soft outcomes and distance travelled.

### Overview of Chapter

- The Objective 1 SPD was written at around the same time as the National Assembly for Wales was being set up. Because of this, it was drawn up in something of a ‘policy vacuum’. Since the SPD was developed, a striking range of policy documents, including the National Economic Development Strategy, has appeared from the Welsh Assembly Government which – by definition – the Programme could not draw on. There have also been important organisational changes (e.g. the formation of ELWa) and some elements of the UK policy context have changed too (e.g. further developments of New Deal).

- In general, the Single Programming Document strategy remains appropriate to the broader policy context at European, UK and Welsh Assembly Government levels and there are few obvious discontinuities between the SPD and the ‘new’ policy context. However, there is less evidence than might be expected of strategic policies specifically addressing how Objective 1 might provide a mechanism for realising Welsh policy goals. In some parts of the Programme, for example agriculture and rural development, the practical integration between the Programme and broader strategies is evident, but in others, notably Communities First, there appear to be problems.

- The analysis of the macro-economic context in the SPD is thorough and impressive and economic changes since it was written have not fundamentally altered the relevance of the analysis or the SPD’s strategy. The “headline targets” – for contributing towards raising relative GDP per head (to 78% of the UK figure), job creation and reducing the numbers of economically inactive people – are, however, highly ambitious, and in the case of the GDP target, present methodological difficulties.

- Although the logic of the Programme is well-articulated, it contains a large number (33, excluding Technical Assistance) of individual Measures, and, in practice, the distinction between some of them is not always clear. There is a contrast between the strongly economic focus of the “headline” targets and the wide range of different sorts of activity which may be funded by the Programme.

- Significant progress has been made through the revision of the Programme Complement in developing clear definitions of key targets and in rationalising the “hierarchy” of the targets. At the same time, the structure of the targets remains very elaborate and poses problems for programme managers and project sponsors alike.
5. THE PROGRESS OF THE PROGRAMME

In this Chapter, we examine the progress in implementing the Programme in terms of:

- Projects approved (section 5.1)
- Financial commitment and spend (section 5.2)
- Activity and Results indicators (section 5.3)
- Impacts (section 5.4)
- Progress against the Performance Reserve Indicators (Section 5.5)

A detailed analysis of the aggregate data is contained in Appendix 4. The aggregate data underlying the analysis has been provided by WEFO as at 31 March 2003: all financial information therefore reflects the exchange rate prevailing at that time of €1.62 = £1, although we understand that this has now been adjusted to €1.4 = £1. The data is drawn from the EFMS database which is intended to provide integrated data across all funds and Programmes.

5.1 Projects Approved

5.1.1 Evidence from our Desk Analysis

The data in Appendix 4 show that, as at 31st March 2003, a total of 1,188 applications had been received by WEFO, of which around two-thirds had been successful. 614 projects were recorded as underway, with only 37 projects logged as completed (and nine of these being under Priority 7 – Technical Assistance). While a low number of project completions might be expected, as projects are typically undertaken over a 2-3 year period, it seems unlikely that so few projects have been completed: this might suggest delays by projects in returning final claims.

Half of the 651 projects underway or completed were ERDF funded. Comparison between the number of projects by Priority and the funds allocated to these Priorities within the Programme shows that:

- Priority 4 accounts for a somewhat larger proportion of projects underway (37.3%) than of Programme budget (25%), suggesting both more rapid progress and the smaller size of ESF projects;
- Priority 1 accounts for just under 25% of the grant allocation under the Programme, and currently includes just over 20% of the projects;
- Priority 6 (Strategic Infrastructure) has very few projects underway (only 8), but this is understood to reflect delays in putting the appropriate strategies in place, rather than any lack of demand (see section 5.21 below), as well as the fact that Priority 6 projects are likely to be large.

According to the data, there have been a total of 422 unsuccessful applications for structural funding. There is a significant variation in the ratio of unsuccessful to total

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Projects which appear on the WEFO EFMS database but are then not approved are ones which will have been through the early stages, i.e. they will have been worked up as a project and passed certain stages such as approval in principle by a partnership. They might have got to the appraisal team but will have subsequently failed. However, in some cases where projects have made it to the WEFO appraisal stage, those projects will eventually be approved or else taken forward in a different form, so may appear on the system as another project. A project which does not pass the sponsorship and partnership stage will not make it to the EFMS data system.
applications at the Priority level, with the rate of unsuccessful applications for the main Priorities varying from 21.6% for Priority 2, to 68.6% for Priority 6, with the other Priorities in the range of 30% - 45%. The high failure rate for Priority 6 reflects both the low number of total applications and the fact that significant numbers of projects were rejected under Priority 6 in the early stages of the Programme because appropriate strategies were not in place.

The evidence of a large number of unsuccessful projects is somewhat surprising in view of the insistence of several partnerships from which we requested information on “failed” projects that they were unaware of any of the proposals which had reached full proforma stage having failed (see Chapter 6). Of course, many of the failed projects may have occurred early in the programme period before the secretariats were in place, but this would appear to also be related to the lack of formal feedback to partnerships on the outcome of WEFO’s decisions on completed applications.

We understand that there are some doubts over the classification of projects by type of lead applicant on the database, and it is important to note that such classification in any case disregards the fact that applications may actually involve more than one type of applicant in delivery. However, the data suggest that:

- The main applicant categories are Higher Education/Further Education (HE/FE) institutions, local authorities, and voluntary/community organisations. Together these applicant types make up 71.4% of projects completed or underway.

- As would be expected, of the 142 projects completed or currently underway led by HE/FE institutions 73.9% involve ESF-based projects (including 67 projects in ESF funded elements of Priority 4 - Developing People). HE/FE institutions account for 37.1% of all ESF projects completed or currently underway.

- In the case of local authorities, there is a much greater focus on ERDF funded Measures i.e. 114 of the 155 local authority projects completed or currently underway (73.6%). Local authorities accounted for 35.1% of the projects completed or currently underway under ERDF, and 30.8% under EAGGF, but just 9.9% under ESF.

- The remaining large group of projects underway and completed is from the community and voluntary sector i.e. 25.8% of the total. Here there is an even distribution between ESF and ERDF funded activity (82 and 76 projects respectively). As expected a large number of projects here (57) fall under Priority 3 (Community Regeneration), but the representation in Priority 4 (Developing) People is also significant at 78 projects.

- The private sector accounts for a low percentage of applications, although this is in line with previous UK Structural Funds programmes and the expectation that most support to SMEs should be channelled through public sector intermediaries. In total the private sector (profit and non-profit) are the main applicants on 17.9% of projects, with the private profit making representing just under one-third of these. One third of the private profit making sector projects (11 projects) are in Priority 1, Measure 4 (Entrepreneurship).

In terms of the location of applicant, around 20% of projects have as a main applicant an organisation based outside the Objective 1 area, the majority of these based in
Cardiff (as, perhaps, might be expected given the concentration of national organisations serving the whole of Wales as well as Higher Education provision). More generally, there is a concentration of applicant organisations based in those areas within West Wales and the Valleys, such as Swansea and Rhondda Cynon Taff, with a strong institutional base (with, perhaps, a particular link to the presence of Higher Education institutions). It is important to stress that it is legitimate under the Programme for applicant organisations to be located outside the eligible area, provided the activities clearly provide services within the area and that the location of the applicant could be a poor indication of the location of the activity i.e. particularly where the applicant is outwith the Objective 1 area.

In terms of project size, the largest number of projects underway or completed have applied for grants in a range from £50,000 to £0.5m. The actual distribution by size varies little by fund or Priority (except for Priority 6 where larger infrastructure projects are the norm). Average project size is significantly above that for earlier Welsh Structural Fund Programmes and a total of 87 projects (13.3%) completed or currently underway have been awarded grants of over £1m, with particularly strong representation of these large projects in Priority 2 (24% of projects) and Priority 6 (50%, though of only 8 projects). At the other end of the scale just 18 projects have been awarded grants of less than £25,000, the majority of these involving EAGGF fund and Priority 5 Rural Development.

In terms of project duration the vast majority (over 75%) of projects have a duration expected to exceed two years: less than 5% of projects are expected to last less than 12 months. This percentage is fairly uniform across the funds and Priorities, the figures for ESF reflecting that the move to multi-annual approvals has become the norm in recent years. Exceptions are projects under FIFG, and Priority 6, where the shorter predicted duration reflects the dominance of capital projects. The generally long duration of projects has implications for “n+2” targets and suggests the importance of ensuring that projects make financial claims on a regular basis throughout their lifetime.

5.1.2 Evidence from our Project Sample

By its nature – and given that the sample was chosen to reflect the largest possible spread across Priorities and Measures and the geography of the Programme area – our project sample told us relatively little about the numbers of projects coming forward in different areas of the Programme. However, two points can be made:

- In terms of the potential flow of new projects, the frustration of a large number of project sponsors with the perceived “bureaucracy” of the application and monitoring processes, and the widespread concern about the financial risk attached to uncertainty over audit (see Chapter 6) led many project sponsors to say that they would be reluctant to submit further applications under Objective 1 or to advise others to do so: this might corroborate views of partnerships that the supply of projects – at least for some priorities - is “drying up” but should be set against the fact that a significant proportion of revenue projects either had submitted, or were preparing to submit, “continuation projects” at the time we interviewed them (e.g. six out of 14 projects in Priority 4).

- In terms of duration of projects, we found that a significant proportion of projects suffered from serious delays in terms of terms implementation and

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34 For example, at the Mid-term stage, the Objective 5b Rural Wales Programme had committed £63 million of grant to 630 projects, whereas for Objective 1 the figures are £453 million for 652 projects
that timescales taken from application forms were frequently misleading. This was particularly true of capital projects – two of our projects in Priority 6 had “slipped” by 12 months or more – but was also true in many revenue projects, where extensions had been granted.

5.1.3 Evidence from the Process Evaluation

Again, in terms of the process evaluation, the majority of the evidence does not distinguish clearly between number of projects and the extent of financial commitment and is covered in Section 5.2.

5.2 Progress towards Financial Commitment and Spend

Progress in terms of spending is one crude, but vital, parameter of programme progress. In this section, we first consider the overall patterns of financial commitment and spend from the aggregate data (Section 5.2.1) and then, following consideration of the evidence from our Project sample (5.2.2) and the Process Evaluation (5.2.3) consider performance by Priority and Measure (5.2.4)

5.2.1 Overview from our Desk Analysis

Spend

The data in Appendix 4 show that ESF paid out as of 31st March amounted to an estimated £182.5m, representing just under 16% of the total structural funds allocated to the West Wales and the Valleys Programme (i.e. £1.144bn). This is broadly in line with what might be expected on the basis of experience at this stage of the Programme, although somewhat below what is desirable given the pressures imposed by the “n+2” targets.

Within this headline figure:

- Just over 50% of this spend relates to the ERDF (£93.3m) although this represents only 13.5% of the total ERDF allocation. To some extent, however, spend figures for ERDF are influenced by the fact that the entire commitment to Finance Wales has, in accordance with European Commission rules, been counted as “spent”, since it is a one-off contribution to a revolving fund: this does not reflect disbursement to the individual SMEs who are expected to benefit. Taking this into account, the rate of “conversion” of ERDF commitments into spend is not particularly good.

- In the case of ESF, £78.2m has been spent i.e. 21.4% of the 2000-06 allocation.

- Of the actual spend of £182.5m, the majority (73.4% of the total) has been on projects in Priorities 1 (Expanding and Developing the SME Base) and 4 (Developing People) and in both cases actual spending to date has already exceeded one fifth of the total structural funds budgeted (although in Priority 1, this falls to 13% if Priority 1, Measure 1, which includes the allocations to Finance Wales, is excluded).

- In the remaining Priorities the proportion of actual spend to budget over the whole of the programme is much lower. For example, in Priorities 2
(Developing Innovation and the Knowledge Based Economy) and 5 (Rural Development and the Sustainable Use of Natural Resources) just 11% of the Priority budget has actually been paid out, in Priority 3 (Community Economic Regeneration) this figure falls to 8.9%, and to just 1.6% in the case of Priority 6 (Strategic Infrastructure).

The aggregate figures for actual spend at Priority level hide a great deal of variation at measure level (See Figure 5.1. and Table 5.8 below).

An analysis of these figures shows that:

- Although actual spend of structural funds in Priority 4 as a whole was 24.1% of the Priority budget for 2000-06, the proportion by Measure varies from just 6.2% in 4.6 (Anticipation of Skills Needs), to 29.6% in 4.2 (Social Inclusion).

- Very low levels of actual spend compared to budget (less than 5%) are found in the following Measures
  - Priority 2, Measure 1 (ICT Infrastructure)
  - Priority 2, Measure 5 (Promoting Clean Energy)
  - Priority 3, Measure 4 (Supporting the Social Economy)
  - Priority 5, Measure 4 (Investment in Agricultural Holdings)
  - All four measures under Priority 6.

In the case of Priority 6 and Priority 2, Measure 1, the low level of spend can be related to the delays putting appropriate strategies in place to generate and/or provide criteria to appraise projects.
Table 5.1 Actual Structural Fund Spend, Measure, £m.

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Figure 5.1 Actual Spending as a Proportion of Budget by Measure
Commitments

In terms of commitments, the data at Appendix 4 show total grant funding committed as at 31\textsuperscript{st} March 2003 was £453.9m, which is 39.7\% of the total grant allocated to the Programme. This represents generally good progress compared to what might be expected at Mid-term. There is no very significant variation between the Funds: in the case of ERDF commitment is running at 37.1\% of the total budget, for ESF and EAGGF the figures are 43.6\% and 40.9\% respectively.

In the case of the individual Priorities, for Priorities 1,2,4 and 5 commitments represent between 40-50\% of the budget allocated in each case. In the case of Priority 3 commitments are 26.5\% of the budget, and in Priority 6 just 10.7\% of budget. While the slower performance of these two Priorities can, in part, be attributed to specific factors (in the case of Priority 3, the difficulty of developing community development in communities which, in some cases, may not have benefited from this support before; in the case of Priority 6, the lack of relevant strategies at the start of the Programme to prioritise projects against), these levels of commitment are grounds for concern.

The aggregate figures at Fund and Priority level again hide very significant variation at Measure level. Table 5.2 and Figure 5.2 show the variation of structural fund commitment to budget under the individual Measures. There is a large degree of commonality here with Figure 5.1 and the pattern of actual spend:

- In seven measures grant committed represents less than 25\% of the financial allocation:
  - Priority 2, Measure 1 (ICT Infrastructure)
  - Priority 2, Measure 5 (Clean Energy Sector Developments)
  - Priority 3, Measure 4 (Support for the Social Economy)
  - All four Measures under Priority 6.

- In five of the main Programme measures, grants committed are already over 60\% of structural funds allocated.
  - Priority 1, Measure 1 (Financial Support for SMEs)
  - Priority 1, Measure 5 (Sites and Premises for SMEs)
  - Priority 4, Measure 2 (Social Inclusion)
  - Priority 5, Measure 3 (Forestry)
  - Priority 5, Measure 9 (Fisheries)

The high levels of commitment in Priority 1, Measure 1 are largely attributable to the major Finance Wales allocations, which are expected to fund activity throughout the life of the Programme. In the other cases, the high level of commitment reflects high levels of demand from project applicants.
Figure 2 Total Commitment compared to Budget by Measure
Table 5.10 Total Structural Fund Commitment, Measure, £m.

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Project Promoters and Match-funding

We understand that there are a number of concerns about the accuracy of the data with regard to the definition of match-funding sources and lead applicants. However, the data at Appendix 3 suggests that, of the total of £453.9m of grants committed, 29.5% are expected to go to ASPBs (largely for ERDF projects), 19.6% to HE/FE institutions (largely in respect of ESF projects), 18.1% to local authorities (largely ERDF), and 10.5% to voluntary and community groups, leaving 22.3% expected to go to other types of applicant.
In terms of match-funding, the key points are that:

- Total match-funding committed to the Objective 1 programme is £631.3m, representing 57.4% of total project costs (less ineligible costs). This means that the overall current grant rate is 42.6% which is well inside the targeted grant rate for the programme of 47.1%.

- The main sources of match-funding are ASPBs (35.4%), HE/FE institutions (15.0%), and local authorities (19.7%), but there is a great deal of variation in the key sources of match-funding by fund, with ASPBs contributing 40.7% of match-funding in the case of ERDF, but only 17.8% in the case of ESF, while FE/HE institutions are providing 11.1% of match-funding under ERDF, but 32.5% under ESF and local authorities 26.1% under ERDF, and 14.4% under ESF.

- ASPBs are providing the bulk of the match-funding in Priority 1 (49.3%), Priority 2 (41.8%), and Priority 6 (59.7%), but only 11% in the case of Priority 4 and less than 1% in Priority 3.

- Government Departments, including the Welsh Assembly Government appear only to be directly contributing match-funding in Priority 5 and 6, and to a very small extent in Priority 1 (although of course the vast majority of public-sector match-funding is provided indirectly by the Assembly).

- In Priority 3, not surprisingly, voluntary/community organisations and private non-profit making sources accounted for 73.7% of the match-funding commitment.

- In Priority 4, HE/FE institutions accounted for 35.1% of the match-funding commitment.

- In the case of Priority 5 contributions from different sources are more evenly distributed between ASPBs (34.01%), government departments (23.2%), and local authorities (19.7%).

- The private (profit making) sector has provided 7.0% of programme match-funding at the mid-term evaluation stage – though we believe this may be an under-estimate as we do not understand why the figure for private match-sector funding in the case of EAGGF is recorded as zero, when individual farm businesses are known to be providing match-funding (this is being investigated with WEFO). However, even including the contributions of private not for profit and voluntary/community sectors, whose contributions do not count as public match-funding, the figures on the database suggest that private match-funding (as defined by the EU) is running below the level anticipated in the Programming documents.

5.2.2 Evidence from the Project Sample

As part of the work on our project sample, we attempted to identify underspends and other financial issues (such as shortfalls in match-funding) across the 66 projects, in other words to identify the extent to which actual out-turn or current predictions by projects of outturns at the

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time of the fieldwork varied from those approved by WEFO. This can inform judgements about the likelihood of current commitments being fully realised. Perhaps inevitably, it was difficult, and in some cases, impossible, to secure meaningful responses from project applicants, since we were clearly not in a position to challenge directly the *current* predictions made by project sponsors.

Nevertheless, some broad conclusions can be drawn:

- In terms of **Priority 1**, two out of 11 projects were predicting significant underspends, while the remainder were largely forecasting outturns in line with the commitment (in three cases, total project spend was expected to be in excess of that at application stage, but this would not, of course, lead to higher levels of grant being paid).

- In **Priority 2**, projects generally claimed to be on line to achieve full spend, but one large project was significantly behind profile (by £2 million), although here too the project sponsor believed could still be recouped over the remaining year of the project. This seemed somewhat doubtful.

- In **Priority 3**, underspends were generally not evident: this perhaps reflects the fact that many projects costs are largely in terms of staff and organisational overheads (in three cases, staff accounted for 75% of the total project budget). Any identified underspends had been discussed with WEFO and money had been reapportioned to other elements in the project or rephased. Projects also tended to be small in fund value and any underspend would be relatively low.

- In **Priority 4**, we found a consistent pattern of underspends compared to original commitments. Over 75% of the projects reviewed had been or were likely to be subject to a ‘significant change’. The projects reviewed had a combined project cost of almost £40m. at the application stage. However, sponsors thought it more likely that costs would amount to some £26m, or 35% less in reality – although one large project distorted the results to some extent: in our view, an underspend (in terms of total project costs) of some 15% across the Priority would seem possible. Whilst there was some evidence that project sponsors did tend to over-estimate costs in their applications (not least, to provide some head-room within projects), the likely shortfall in costs may also owe something to the nature of courses sought by beneficiaries, which were often shorter than anticipated. Whilst WEFO had been informed about the majority of the cases where overall project costs were lower than anticipated, three sponsors, or 21%, had not let WEFO know.

- In **Priority 5**, the major project sampled in Measure 5 (Farming Connect grants to farmers for farm diversification and improvement) was significantly behind in terms of its original profile (with only around £550,000 paid out and £1.8 million of grant offered to farmers by April 2003, compared to total EAGGF of £4.7 million expected to be committed by June 2003). The sponsor was nevertheless forecasting that full use of resources (in terms of grants offered to farmers) would be achieved, albeit somewhat later than originally anticipated: conversion of this to actual spend will depend on the extent to which these grant offers are actually implemented and some underspend here should probably be anticipated. More generally, project sponsors were not anticipating significant underspends.
In Priority 6, as might be expected with capital projects, underspends were not anticipated.

Relatively few projects reported difficulties with match-funding, once projects were underway (though problems in terms of lack of synchronicity with different funding regimes were reported as problems in terms of the application process): this may be because in very many cases, projects were using core funding to match Objective 1. Project sponsors also appeared frequently to “badge” funding as their own, even when it was derived from another source: in the case of ESF this avoided the need for Public Match Funding Certificates. This may explain the low visibility of ASPB’s (in this case ELWa) in terms of match-funding in the aggregate data and the fact that Government Departments do not appear as match-funders of Priority 3 despite the fact that Priority 3 projects are frequently match-funded by Local Regeneration Funding.

One issue which was raised in a small number of cases was that the fact that, even where the intervention rate for a particular project was below the maximum allowed for by the Measure, this (as well as the absolute grant offered) acted as a ceiling on grant which could be drawn down, if match-funding failed to materialise: this was particularly likely to be the case with match-funding in kind from beneficiary costs in the case of ESF. While we understand that this is in line with European regulations, it does appear to increase the risk of underspends.

A further problem, highlighted in a handful of cases, relates to excess match-funding, where it appears that WEFO’s IT system cannot accept such returns as eligible expenditure without it reducing the grant payable: this has led to advice to ignore, or treat as ineligible expenditure, such match-funding, which clearly will distort the overall picture of finance levered in through the programme. A similar problem occurs in the case of revenue.

In overall terms, our conclusions from the project sample were that underspends of 10-15% (at a relatively conservative estimate) were likely, with the probable exceptions of Priority 3 and 6.

5.2.3 Evidence from the Process Evaluation

PMC members and advisors as well as the partnership board members we surveyed and interviewed were specifically asked to comment upon the progress of the Programme in terms of financial commitment and spend by priority and measure.

The majority of the PMC members and advisers interviewed indicated that they felt the Programme was making good progress towards its targets for commitment and spend, with two individuals stating they felt they were unable to comment. However, a minority (of six individuals where n=23) indicated that spend in the first half of the programme was assisted by large, fast-track projects and observed that it would become more challenging to translate commitment into spend as the programme progressed.

10 PMC members and advisers highlighted the rate of commitment and spend under Priority 3 as a particular cause for concern. All of the local partnerships where we conducted interviews also stated that they were experiencing difficulties in spending under Priority 3 (particularly Measures 1, 2 and 4).
Various reasons were cited for the relatively slow progress of this part of the Programme including:

- the lack of synergy between wards targeted by Communities First areas and those targeted under Priority 3;
- the lack of knowledge, capacity and confidence in small voluntary and community organisations with respect to both the application process and the subsequent audit and monitoring requirements that follow (particularly amongst those with no prior experience of applying for Structural Funds);
- a tendency for such organisations to access Communities First funding instead of Priority 3 funding, thereby losing the potential benefits of using Communities First money as match funding. Suggested reasons for this included less demanding application forms and a quicker turnaround for applications.

Five PMC members and a number of local partnership management board members suggested that a possible approach to tackling this was to place greater emphasis on using the key fund approach - an approach which was already being used with some success to help smaller community groups to access available funding, although this was not seen as overcoming the problems posed by limited or inappropriate geographical targeting.

Other areas of concern regarding levels of commitment and spend were also highlighted by PMC members and advisers across all sectors:

- Five members suggested that spending on ICT and broadband infrastructure had been slow to proceed.
- Four members cited a slow rate of progress in the area of green technologies was also highlighted as a weakness. It was acknowledged that the Assembly was making progress towards developing a renewable energy policy.

In both these areas, there was a strong feeling that more pro-active commissioning of projects was required, based upon presenting people with examples of best practice.

Some members of the regional partnership indicated that Priority 1 Measure 3 (Developing Competitive SMEs) was experiencing slow take-up, but the majority did not see this as a problem. They also suggested that there was insufficient funding available to meet demand under Priority 1 Measure 5 (Sites and Premises for SMEs) and Priority 4 Measure 4. (Improving the Learning System). Some differences of opinion were evident within this partnership as to the appropriateness of the emphasis placed on different priorities.

Slow take-up under Priority 5 was also highlighted as a concern by members of the regional partnership as well as all but one of the local partnerships where we conducted interviews, the exception being, however, the partnership with the most rural economy, where there was perceived to be excess demand for some Measures within this Priority.

There was fairly widespread concern among respondents to the partnership survey about the numbers of projects coming forward and in particular what was seen as a lack of large projects. However, fewer than a fifth (16%) of survey respondents believed that partnerships had compromised on project quality in order to secure spend. A number of survey respondents argued that there needed to be more virement within the programme to achieve spend on the
most worthwhile projects and a number argued that there needed to be more spending on infrastructure, R&D and capital projects.

5.2.4 Commentary by Priority and Measure

In terms of Priority 1, as reported to the PMC, there is considerable pressure on Priority 1, Measure 5 (Providing Sites and Premises for SMEs), with nearly 70% of available funding formally committed (even taking into account the virement which was agreed by the PMC at its December 2002 meeting)\(^{36}\), and a high rate of conversion between commitment and spend. We understand that WEFO are currently appraising 10 projects which between them would account for an additional £7.1 million of grant (16%) and that an exercise has identified a very significant “pipeline” of projects\(^{37}\). The other ERDF measures in the Priority appear to be progressing reasonably smoothly – although in the case of Priority 1, Measure 1 (Financial Support for SMEs), the picture is distorted by the “one-off” nature of Finance Wales allocations: indeed, commitments have increased by only £2.5 m. (5% of the Measure) in the period between 31 October 2001 and the present.\(^{38}\) The Measure has been closed for new applications since October 2002 but, in our view, it is not clear that there will continue to be very heavy demand for this Measure.

Despite concerns earlier in the Programme about the high-level of demand for Priority 1, Measure 4 (Promoting Adaptability and Entrepreneurship), levels of commitment are below those of several other ESF Measures, even though (see Chapter 4) projects which are not exclusively targeted on existing employees of SMEs are being funded.

In terms of Priority 2, an outstanding issue here surrounds the lack of commitment in Priority 1, Measure 1 (ICT Infrastructure), which can be attributed to the delay in developing a clear Welsh Assembly Government strategy for Broadband infrastructure. This is now in place, and a number of large projects, which will be seeking around £20 million of ERDF are understood to be in the process of development, though none have yet been formally submitted for appraisal. By contrast, in the case of the other Measure with low levels of commitment, Priority 2, Measure 5 (Promoting Clean Energy), there is little evidence of projects “in the pipeline”.

Pressures on Priority 2, Measure 3 (Support for the Development of Innovation and Research and Development) are also clearly apparent, resulting from the success of the Technium concept, although the conversion to spend is more modest than in other high-committing Measures (this may partly result from the fact that projects are expected to be integral capital/revenue projects, which means that revenue expenditure is only likely to commence once the capital element is completed). The remaining Measures under Priority 2 appear to be performing very much in line with the respective averages for the relevant Fund – although the current underspend in the major project in our project sample under Priority 2, Measure 2 (To Stimulate and Support Demand for ICT) may suggest that the commitment figure of 41% may not be fully realised.

As noted in numerous reports to the PMC, Priority 3 shows the most significant levels of undercommitment, across the range of measures. While it has always been recognised that Priority 3 (Capacity Building and Regeneration) would be slow to commit funds, this, in our view, is a cause for concern. The levels of commitment under Priority 3, Measure 1 (Community Capacity Building – ESF) are less than half those of any other ESF measure in the

\(^{36}\) PMC (02) 49  
\(^{37}\) Report to BASP April 2003  
\(^{38}\) See PMC (01) 92 and Table 5.10
Programme, although the rate of “conversion” from commitment to spend is relatively good. Although lower in absolute terms, the levels of commitment under Priority 3, Measure 3 (Community-led initiatives) are, perhaps, less worrying than those under Priority 3, Measure 2 (Partnership and Capacity Building), since the expectation was that the latter would be heavily front-loaded. Priority 3, Measure 4 (Support for the Social Economy) is also showing poor levels of commitment, though it is hoped that a number of key funds will lead to a significant improvement here.

In line with the generally high-level of commitments under the ESF, Measures under Priority 4 are generally progressing well in terms of both commitments and spend – although as noted above, our project sample here suggests a consistent pattern of underspends compared to commitments. Priority 4, Measure 2 (Social Inclusion) is clearly under considerable pressure. Priority 4, Measure 4 (Improving the Learning System), the one ERDF measure in the Priority is also very heavily committed, with 55% of the funding formally committed, and a considerable “pipeline”, which it is anticipated could easily absorb the balance.39

In terms of Priority 5, levels of commitment in all Measures are generally satisfactory. However, in the case of Measures 1 (Processing and Marketing), 2 (Training Services) and 5 (Investment in Agricultural Holdings), this is largely due to the decision to commit 80% of resources available under the Measures to large schemes put forward by the WDA and the Welsh Assembly Government. In Measure 1 and 5, no local projects have so far been approved, and it must be questionable whether full commitment of the Measures will be achieved. Particularly in the case of Measure 5 (and to a lesser extent Measure 1), the slow rate of conversion from commitment to spend is worrying. As we have seen, however, evidence from the project sample suggests that grant offers to farmers under Farming Connect are being made at a steady rate, though some risk of underspending must still attach to this Measure. Otherwise, Forestry (Measure 3) and Fisheries (Measure 9) measures are heavily committed (with the latter dominated by a relatively small number of capital projects), while only Measure 7 (A Sustainable Countryside) appears to be struggling to commit resources.

Priority 6, which included capital measures only, is lagging in terms of formal commitments. From papers submitted to the PMC40, there would appear to be a significant difference in terms of Measure 3 (Strategic Employment Sites), where nine strategic sites (or groups of sites) have been identified, but where formal project applications are slow to come in, and (to a lesser extent) Measure 1, where projects related to the strategic sites have priority, and Measures 2 (Energy Infrastructure) and 4 (Environmental infrastructure) where there is a more substantial problem over identifying suitable projects.

Finally, in terms of Priority 7 there is a striking imbalance between the commitments for the ERDF and ESF measures, with the latter showing minimal levels of commitment.

5.3 Progress Towards Activity and Results Targets

Serious questions have been raised in the course of our fieldwork about the accuracy of the aggregate data available, while interpretation is made more complex by the use of similar, but

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39 Report to HRASP, 13 May 2003, suggests that projects to a total estimated value of £120 million (including those already approved or under appraisal) have been identified, compared to a total Measure budget of £40.7 million

40 PMC (03)
not identical, terminology for targets under different Measures (e.g. New SMEs created and Start-up SMEs supported; Increase in turnover of assisted or supported SMEs and sales increase in supported companies). While the data which has been made available has met our requirements, we are not sure how comprehensive it is: as will be seen in Section 5.5, there are some grounds for concern over the reporting of actual achievements to date. Moreover, the quality of the data is inevitably dependent on the realism of project applicants in defining predicted outputs and the understanding and honesty of project sponsors who have supplied the information in terms of actual declared outputs: in very few cases is it actually possible to objectively verify the outputs from the programme to date, still less the quality of those outputs.

In this section, we first consider the overall pattern suggested by the comprehensive thematic analysis of the aggregate data taken at face value at Appendix 4. We then consider evidence from the project sample (Section 5.3.2) and the process evaluation (Section 5.3.3), before attempting to consider the data by Priority and Measure, taking into account all the evidence (Section 5.4.4).

5.3.1 Overview from the Aggregate Data

Taken at face-value, the data at Appendix 4 suggest good progress towards the Programme outputs (activity and results indicators).

**Jobs Outputs**

Job outputs are of key importance to the Programme. Project sponsors across the Programme as a whole have claimed that just over 8,000 gross new direct jobs have already been created and are predicting that, in all, 32,000 gross new jobs will be created by projects currently completed or underway. If these predictions are accurate, it would be likely that the Programme Complement target would be reached or exceeded.

However, the data suggest some significant variations between Priorities and Measures in terms of performance on gross new direct jobs, with stronger performance in Priority 1 (where projects are reporting 23% of the Programme target as already achieved and forecasting 89% of the Programme target can be achieved on the basis of projects currently approved) and much weaker performance in Priorities 2 and 5. For example, in Priority 2, Measure 2 (Demand for ICT), the gross new direct jobs actually reported and forecast are just 1.5% and 9% of the Programme Complement target respectively - even though 42% of the budgeted structural funds have already been committed; while in Priority 5, just 821 direct jobs are predicted against a Programme target of 7,070. Although at the Programme level it may be that stronger achievements in Priority 1 may make up for the lack of progress on this output elsewhere, this points to the need to revisit the allocation of job creation targets across the Programme.

In terms of gross new indirect jobs, overall predicted progress is generally good, although there is weaker than expected performance under Priority 2, Measure 3 (Support for the Development of Innovation and Research and Development).

In the case of predictions for gross jobs safeguarded, the aggregate total forecast it is already almost equal to the Programme Complement target of 38,860 with strong performances in most of the 13 Measures where this is a target. The two exceptions are Priority 4 Measure 1 (Preventative and Active Employment Measures), where no safeguarded jobs are recorded, against a target of 5,000 (which may simply reflect the methodological inappropriateness of
attributing this target to an ESF measure) and Priority 5, Measure 1 (Processing and Marketing of Agricultural Products).

In terms of Jobs accommodated, stronger predicted performance is evident in Priority 1, Measure 5 (Sites and Premises for SMEs) than in Priority 6, Measure 3 (Strategic Employment Sites).

**SME Outputs**

In terms of the main indicators for SMEs receiving support, reported progress is generally good.

In the case of *New SMEs receiving financial support*, 1,453 SMEs are predicted to receive advice in connection with projects currently underway and completed against the target of 2,000, though this may, however, simply reflect the allocation of outputs pro-rata to large projects such as Finance Wales. Similarly targets for *Existing SMEs receiving financial support* and for *New SMEs created* seem set to be exceeded; in the latter case, projects currently underway are predicting that they will create over ten times more SMEs than set as a Programme Complement target. This is an interesting output because there is a strong expectation that these numbers can be verified in the field. By contrast, performance against the target for *Start-up SMEs supported* (which only applies to Priority 5, Measure 1 – Processing and Marketing of Agricultural Products) is far weaker, with only 1.7% of the target predicted to be realised, despite the fact that 36% of the budget has been committed.

On the output *new and existing SMEs given advice and information* actual and predicted performances also suggest targets will be met or exceeded. In aggregate, claimed actual achievements represented 35.8% of the Programme Complement target, and the predicted exceeds the target. There is some variance across the Measures with the bulk of the predicted output (14,241) promised in Priority 1, Measure 2 (Promoting Entrepreneurship) - again, this may reflect the allocation of pro-rata targets to large projects – but all Measures are showing forecasts in excess of that expected given the amount of structural funds committed.

Very similar conclusions apply to the *new and existing SMEs assisted* output, where overall predicted quantities are 44.5% of the Programme Complement target, in line with budget committed, and to the outputs *companies receiving financial support for R&D projects etc.*, and *companies receiving advice/information on R&D projects etc*.

*New SMEs surviving after two years* is an output under Priority 1, Measure 2. Again the predicted quantity exceeds the Programme Complement target, although the actual achieved is just 2.7% of total (which is understandable given the fact few projects have been running for more than two years!).

Aggregate progress appears to have been slower on the two outputs that relate to increases in sales in SMEs - *Increase in turnover of assisted or supported SMEs* and *sales increase in supported companies* This may reflect methodological difficulties or projects unwillingness to collect the data.
Community-based outputs

Progress across the five community-based outputs analysed in Appendix 4 has been fairly good with, in three cases, the predicted number already exceeding the Programme Complement target, and also in three cases (though not the same ones!) the actual exceeding the Programme Complement target.

In terms of community groups assisted the predicted outturn is over double the Programme Complement target, while the actual number of community groups assisted also exceeds the target. This may reflect definitions of “assistance” which include very limited support. Similarly good progress has been made on numbers of community projects supported, with predicted outputs in excess of the target and reported actual figures already at 55.5% of the target.

The outputs number of capacity building projects and number of community development initiatives supported also reveal strong reported performance with actuals exceeding the targets under the respective Measures, and reported progress comparing favourably with the extent of structural funds committed at the mid-term stage.

Only in the case of gross new social enterprises established (Social Economy) is reported progress slower, though this is in line with the low level of financial commitment under Priority 3, Measure 4 (Social Economy) to which it applies.

Beneficiaries-based outputs

The data also suggest steady progress in respect of beneficiary outputs – which relate to ESF Measures.

In the case of beneficiaries completing their courses, in aggregate terms the actual reported achievements represent 10.2% of the SPD target, whilst the predicted represents 39.1% of the target. Progress does vary across the measures for which this is an output, with apparently strong performance in Priority 3, Measure 1, but much weaker progress on Priority 2, Measure 4 (Skills for Innovation and Technology), and Priority 4, Measure 5 (Improving the Participation of Women).

On the output beneficiaries gaining a qualification the actual achieved across the six relevant measures is 11.2% of the target, whilst predicted is 54.6% of the target. The measures in Priority 4 together with Priority 1, Measure 4 show a strong performance in terms of predictions. Of rather more concern is, again, progress under Priority 2, Measure 4 where the actual is just 1.6% of target, and predicted is just 12.5% of target, with 43.5% of the budgeted funds committed.

There has also been good reported progress across all the relevant Measures on the output beneficiaries gaining a positive outcome on leaving, with the actual reported as 38.7% of Programme Complement target, and predicted 94.1% of the target.

Finally, the numbers of recorded participants in lifelong learning already exceed the Programme Complement target.
Innovation and R&D Outputs

On four of the outputs examined in Appendix 4 - which relate largely to Priority 2, Measure 3 (Support for the Development of Innovation and R and D) and Priority 2, Measure 4 (Skills for Innovation and Technology) - reported progress is strong. The only area of concern relates to Priority 2, Measure 4 where the numbers of managers receiving training in innovation is just 9% of the target, against 43.5% of funds committed.

Physical infrastructure and land development outputs

In this part of the Programme, there is some evidence of slower than anticipated progress towards targets – though this may reflect the fact that projects are less likely to over-estimate such “hard” outputs. In the case of square meters of floor-space made available or improved, aggregate predicted outputs are only 17.5% of the Programme Complement target and is lagging behind relative to financial commitment for both the relevant Measures. In most other cases, however, low levels of actual and predicted achievements reflect the slow progress in committing funds.

Cross-cutting theme outputs

In terms of the cross-cutting theme outputs we have examined in Appendix 4, progress generally seems reasonable.

In the case of equal opportunities, strong progress appears to be being made on Numbers of women receiving training - an output under measure Priority 5, Measure 2 (Training Services to Help Farming) – and SMEs receiving advice and information owned by women disabled people, people from minority ethnic groups, although predicted performance is less good with respect to SMEs receiving financial support owned by women, disabled people, people from minority ethnic groups and number of enterprises receiving support led by women disabled people, people from minority ethnic groups which is an output under measure Priority 3, Measure 4 (Social Economy).

Reported progress towards the creation of childcare places has been good with the predicted being 83.7% of the Programme Complement target, although with variation across the individual measures and weaker reported performances here in Priority 1, Measure 4 (Promoting Adaptability and Entrepreneurship) and Priority 4., Measure 2 (Social Inclusion).

In terms of our selected outputs connected with the environmental sustainability cross-cutting theme, reported progress under the majority of the output indicators has been good, with in two cases predicted outcomes already surpassing the Programme Complement target. Main problems here would seem to relate to Priority 1, Measure 3 (Developing Competitive SMEs) and new SMEs adopting EMS, with the predicted being just 14% of target.

It is more difficult to select outputs that might link through to the information society cross-cutting theme. Two outputs relating to Priority 2 Measure 2 (Demand for ICT) are relevant - exemplars of e-commerce, and firms benefiting from e-commerce and ICT support and in both cases predicted outcomes are already in excess of the Programme Complement target.
5.3.2 Evidence from the Project Sample

While the account above presents a generally positive picture, particularly of the predicted outputs, this needs to be set against some of the evidence which has emerged from our project sample and from other fieldwork, with regard to the definition and achievement by projects of targets set by the Programme.

A number of general points can be made in terms of the ways in which projects were defining key targets:

- In the case of many of the large, strategic projects, it is evident that predicted targets have been set – either formally or informally - pro rata to the scale of resources requested by the project. This applies, for example, to Finance Wales, to Welsh Assembly Government/WDA projects funded under the Agri-Food initiative, to Wales Tourist Board projects under Priority 1 and to projects related to the Entrepreneurship Action Plan. While this is understandable in programme management terms, it is likely to mean that the data for predicted outputs in Measures dominated by such large projects may be misleading. While the sponsors of the larger projects in our sample were generally still optimistic about their capacity to achieve such targets, in some cases actual achievements to date were significantly behind profile.

- There is also a general issue in terms of the revision of project-level targets which was undertaken following the revision of the Programme Complement. Each project already approved had to revise its outputs in line with the definitions within the revised Programme Complement, and case-officers wrote to project promoters in the course of the last months of 2002 to propose revised outputs. In cases where no response was received, the case-officers set the revised targets themselves – we understand that for ESF projects, this took place in a very substantial number of cases. This inevitably means that predicted data may have little ownership on the part of some projects.

- In terms of jobs created, we found some evidence of confusion over the concept of direct and indirect jobs (perhaps inevitable, given that the definition employed by the Programme contrasts with standard economic definitions) and a tendency to count project employees as direct jobs, even when these were clearly not sustainable, although this is clearly not in line with the revised Programme Complement. As noted in Chapter 4, in the case of indirect jobs, the issue of the strength of the linkage between the intervention and the job also emerged particularly strongly in one case: since it involved 800 jobs claimed as actually created (compared to an overall claimed achievement for the Programme as a whole of 9,374 direct and indirect jobs created) this is clearly an issue. Related to this, it might be noted that in the evidence from the aggregate data above, the predictions were much bolder for safeguarded jobs (where definition is widely recognised as a problem) than for indirect jobs, and for indirect jobs than direct jobs.

- In terms of SMEs, we found some evidence that the clear distinction in the revised Programme Complement between SMEs assisted (2 full days or more consultancy support) and SMEs given advice/information was not always well understood, and that, in the latter case, very limited interventions could be counted.
• We found little evidence of projects assisting SMEs having mechanisms in place to capture data on the turnover of companies assisted both before and after support. This may relate to the poor reported performance for related outputs.

• Again, the distinction between community groups assisted (less than 5 days) and supported (more than 5 days) was not always well understood: in one case, groups being “supported” including those receiving limited and ad hoc assistance being counted as community groups supported.

• In terms of beneficiaries, as noted in Chapter 4 above, there is a very wide latitude in the definition of “beneficiaries” being employed by project sponsors: in some cases, this involves nothing more than a taster course or advice (with one alone project under Priority 3, Measure 1 in our sample predicting that it would help 3,500 beneficiaries compared to a target for the Measure of 7,000), while in other projects, an individual beneficiary will be receiving a year-long full-time course with a bursary. This is, of course, a common issue for all ESF evaluations, but the aggregation of such diverse interventions inevitably limits the utility of the data.

• Again, in terms of ESF, the definition of completers/early leavers was seen by many project promoters to be problematic, particularly in the context of the emphasis within the Programme on informal learning and outreach, with the capacity for individuals often to undertake, say, one short course in March, then to do nothing during the summer, but return for a further short course in October. In some cases, where such informal learning is the pattern, project sponsors will count all beneficiaries as completers, or will ignore those who leave after only a very short intervention. This clearly causes problems in terms of the core ESF targets for “number of beneficiaries completing their courses”.

• In terms of childcare places, many projects appeared to interpret this as places provided during the time an individual was participating in a project: this does not seem to accord with the intention of the Programme to help produce sustainable improvements in childcare.

• Finally, in terms of double-counting, while almost all project sponsors appeared to have robust mechanisms in place to avoid double-counting within projects, and most asked relevant questions of beneficiaries (whether individuals or SMEs), there was little evidence of any robust mechanisms for cross-checking between similar projects, even where these were known, to eliminate double-counting across projects. Many acknowledged that, given the amount of European funding being employed in policy fields such as business advice and vocational training, some degree of double-counting was inevitable.

In terms of actual achievements of projects in our project sample, the following points can be made:

• Across all Priorities, there was evidence of lower than anticipated results in terms of job creation. This was particularly notable in Priority 5, where initial targets in terms of job creation were thought unlikely to be achieved in seven out of 16 projects, and in Priority 2. However, in Priority 1 also, jobs created appeared to be heading for significant underachievement, however defined, while, in line with the Programme
Complement, direct/indirect jobs created in the case of Priority 6 projects were generally limited.

- Reported and anticipated progress on targets for SMEs advised and assisted seemed more in line with forecasts, subject to the definitional issues outlined above.

- In terms of Priority 3, most activity targets appeared to be likely to be met, but these were generally seen by project promoters as being generic rather than reflecting the actual activity (far less the impact) of individual projects. In general terms, Priority 3 projects appeared to be offering good value for money.

- In the case of Priority 4, the evidence suggested that original beneficiary targets were, in general, unlikely to be met (in parallel with financial underspends). At the application stage, it had been forecast that the projects reviewed would benefit some 23,800 individuals, but sponsors thought a more realistic expectation might be some 21% fewer at around 18,700. It cannot be assumed that Priority 4 projects will undershoot expectations by this margin at an aggregate level, however, since one particularly large project reviewed had fallen substantially short of original expectations and, thus distorted the picture materially. However, the evidence also suggested that the intensity of support for the beneficiaries was frequently significantly less than anticipated at application, with the knock-on effect of fewer qualifications likely to be achieved: a number of project sponsors reported a higher demand among beneficiaries for short-courses or ‘bite-sized chunks of learning’ than for traditional courses leading to NVQ qualifications.

- In terms of the targets for positive outcomes, the evidence from our project sample suggested a higher proportion of predicted beneficiaries than might have been expected would be in employment: 50% in total of all Priority 4 beneficiaries. This compares to a Priority-level target in the SPD (translated into actual numbers for the purposes of the Programme Complement) of only 40% of beneficiaries in employment after support from the ESF. This over-achievement of beneficiaries in employment/positive outcomes may simply reflect the fact a higher proportion of those helped were in employment while undertaking training rather than the positive results of the support. This will become clearer as more Project Closure Reports are completed.

- Targets for infrastructure measures were usually on course for predicted achievement in terms of physical outputs, although in both industrial infrastructure measures (Priority 1, Measure 5 and Priority 6, Measure 3) there was a shortfall in terms of jobs compared to current predictions.

- Although targets for agricultural holdings supported under Priority 5, Measures 4 and 5 (reflecting the performance of Farming Connect) were said to be realistic, a significant imbalance between Farm Improvement and Farm Enterprise Grants was reported, with applications for the former outnumbering the latter by a ratio of 15:1, compared to the original intention of a 50:50 split between the two Grant schemes. Since the Farm Enterprise Grant is aimed at diversification, this is somewhat worrying.

Our project sample suggested that actual declared outputs were likely to be, on average, below those predicted. However, the extent of underperformance was not so great that the majority of Programme activity and results targets will not be reached, at least in nominal terms, if full
financial commitment is achieved. The exception is in terms of new jobs – particularly new direct jobs – created, where the project sample reinforced the suggestion in the aggregate data that targets were proving difficult to achieve outside of Priority 1. The evidence also suggested that projects’ working definitions of key indicators were such that quite limited interventions - from the point of view of an individual recipient of assistance – were being counted and that the achievement of targets would have to be seen in this light.

5.3.3 Evidence from the Process Evaluation

Although asked to comment on the progress of the Programme towards achieving its targets, many respondents to the partnership survey clearly felt that they did not have the information needed to gain an overview of this in respect of the part of the Programme for which their partnership was responsible. Many respondents to the partnership survey believed that partnerships lacked the information they needed to monitor spend and outcomes (Table 5.3).

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</tr>
<tr>
<td>Caerphilly</td>
<td>3.25</td>
</tr>
<tr>
<td>FCCM</td>
<td>3.33</td>
</tr>
<tr>
<td>Merthyr Tydfil</td>
<td>3.43</td>
</tr>
<tr>
<td>Gwynedd</td>
<td>3.50</td>
</tr>
<tr>
<td>Conwy</td>
<td>3.56</td>
</tr>
<tr>
<td>HRD (Obj 1)</td>
<td>3.56</td>
</tr>
<tr>
<td>Tourism</td>
<td>3.57</td>
</tr>
<tr>
<td>Carmarthenshire</td>
<td>3.62</td>
</tr>
<tr>
<td>Community Regeneration</td>
<td>3.67</td>
</tr>
<tr>
<td>Blaenau Gwent</td>
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</tr>
<tr>
<td>Denbighshire</td>
<td>3.71</td>
</tr>
<tr>
<td>Ceredigion</td>
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</tr>
<tr>
<td>NPT</td>
<td>3.91</td>
</tr>
<tr>
<td>IRD</td>
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<tr>
<td>Infrastructure</td>
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</tr>
<tr>
<td>Business Support</td>
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</tr>
<tr>
<td>Pembrokeshire</td>
<td>4.31</td>
</tr>
<tr>
<td>RCT</td>
<td>4.40</td>
</tr>
<tr>
<td>IS</td>
<td>4.63</td>
</tr>
<tr>
<td>Overall</td>
<td>3.59</td>
</tr>
</tbody>
</table>

Source: Survey of local and regional partnerships

N=246. Mean scores on a 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’
These concerns were particularly marked among survey respondents from the private sector and trades unions; local government representatives were noticeably more sanguine (Table 5.4).

*Table 5.4 ‘The partnership does not have the information it needs to monitor outcomes’*

<table>
<thead>
<tr>
<th>Sector</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government</td>
<td>3.27</td>
</tr>
<tr>
<td>Voluntary/community</td>
<td>3.43</td>
</tr>
<tr>
<td>Other public sector</td>
<td>3.62</td>
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<tr>
<td>Private</td>
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</tr>
<tr>
<td>Trades Union</td>
<td>4.14</td>
</tr>
<tr>
<td>Overall</td>
<td>3.60</td>
</tr>
</tbody>
</table>

Source: Survey of local and regional partnerships

N=243. Mean scores on a 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’

These concerns were strongly reinforced in the interviews we conducted with partnership board members. Interviewees across all five partnerships stated that more comprehensive data was required to enable them to make a better assessment of progress towards activity and results targets. A representative view was: “there is a poor understanding of what is being achieved locally due to poor project reporting and data availability”.

Notwithstanding the lack of detailed monitoring information, a high proportion of survey respondents had concerns about whether key targets and objectives would be achieved.

- A third (32%) believed that the targets set by the partnerships they were members of were unrealistic;
- Only 32% reported that enough good quality projects were coming forward to enable the partnerships to implement their strategies; and
- Almost a quarter (23%) believed that in general individual projects were unlikely to achieve the targets set for them (a further 41% were uncertain whether they would or not).

There was considerable variation between partnerships in terms of perceptions of the likelihood that projects would achieve their targets (Table 5.5).
Table 5.5 ‘In general projects are unlikely to achieve their targets’

<table>
<thead>
<tr>
<th>Partnership</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Torfaen</td>
<td>1.83</td>
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<tr>
<td>IRD</td>
<td>2.30</td>
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<tr>
<td>FCCM</td>
<td>2.33</td>
</tr>
<tr>
<td>Swansea</td>
<td>2.40</td>
</tr>
<tr>
<td>Carmarthenshire</td>
<td>2.42</td>
</tr>
<tr>
<td>HRD (Obj 1)</td>
<td>2.56</td>
</tr>
<tr>
<td>Merthyr Tydfil</td>
<td>2.57</td>
</tr>
<tr>
<td>Gwynedd</td>
<td>2.67</td>
</tr>
<tr>
<td>Agri – Food</td>
<td>2.67</td>
</tr>
<tr>
<td>Denbighshire</td>
<td>2.71</td>
</tr>
<tr>
<td>Tourism</td>
<td>2.71</td>
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<tr>
<td>IS</td>
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</tr>
<tr>
<td>Infrastructure</td>
<td>2.83</td>
</tr>
<tr>
<td>Pembrokeshire</td>
<td>2.92</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>2.92</td>
</tr>
<tr>
<td>Blaenau Gwent</td>
<td>3.00</td>
</tr>
<tr>
<td>Ceredigion</td>
<td>3.00</td>
</tr>
<tr>
<td>Conwy</td>
<td>3.00</td>
</tr>
<tr>
<td>Community Regeneration</td>
<td>3.00</td>
</tr>
<tr>
<td>Anglesey</td>
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<td>NPT</td>
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</tr>
<tr>
<td>Bridgend</td>
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<tr>
<td>Business Support</td>
<td>3.23</td>
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<td>Caerphilly</td>
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<tr>
<td>RCT</td>
<td>3.60</td>
</tr>
<tr>
<td>Overall</td>
<td>2.84</td>
</tr>
</tbody>
</table>

Source: Survey of local and regional partnerships
N=243. Mean scores on a 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’

There were variations between survey respondents from different sectors. Those from local government were the most optimistic about the prospects for achieving targets while respondents from the private sector were the most pessimistic (Table 5.6).
Table 5.6 ‘In general projects are unlikely to achieve their targets’

<table>
<thead>
<tr>
<th>Sector</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government</td>
<td>2.62</td>
</tr>
<tr>
<td>Trades Union</td>
<td>2.71</td>
</tr>
<tr>
<td>Other public sector</td>
<td>2.72</td>
</tr>
<tr>
<td>Voluntary/community</td>
<td>2.90</td>
</tr>
<tr>
<td>Private</td>
<td>3.13</td>
</tr>
<tr>
<td>Overall</td>
<td>2.86</td>
</tr>
</tbody>
</table>

Source: Survey of local and regional partnerships  
N=243. Mean scores on a 5 point Likert scale 1= ’Strongly disagree’; 5= ‘Strongly agree’

Of those who added comments to the survey, one representative comment was: “We have benefited greatly from the programme and believe we will deliver a large number of the outputs and strategic aims. But I still think some projects have been approved which have vastly overstated outputs and that may exist just because the funding was there rather than because of need”

Again, these concerns were confirmed in interviewees with partnership board members. Interviewees across all partnerships suggested that many of the targets contained within the Programme which they were involved with implementing were difficult to achieve or unrealistic, with jobs targets being identified as a primary concern. The challenge of meeting jobs targets was of particular concern to the North Wales local partnership, where the problem of low pay was perceived by many of the partnership board members to be the more pressing local economic issue to be addressed.

5.3.4 Commentary by Priority and Measure

In this section, we conclude our analysis of predicted and actual outputs for activity and results targets by considering progress in terms of each measure. We have included at Appendix 5 a comprehensive table outlining reported actual and predicted output data, and comparing the predicted data compared to financial commitments. This is interpreted in the light of the consideration of the data emerging from our fieldwork.

Priority 1 (Expanding and Developing the SME Base)

In Priority 1, Measure 1 (Financial Support for SMEs) predicted progress towards the outputs for the Measure has been good when compared to the level of funds committed, with predicted achievement for five of the nine outputs already exceeding the Programme Complement target. While this might be heavily influenced by the extent to which Finance Wales projects outputs have been determined “top down”, data in respect of actual performance would suggest these predictions may not be overoptimistic. The lack of data on turnover of assisted or supported SMEs tends to confirm the findings of our project sample, however, while a particularly disappointing feature is the very low actual achievement, and low forecast for new SMEs receiving financial support owned by women, people from ethnic minorities or people with disabilities.
The data for Priority 1, Measure 2 (Promoting Entrepreneurship and Increasing the Birth Rate of SMEs) also reveal good progress towards Programme Complement targets. Again this may be influenced by the role of large projects promoted under the Entrepreneurship Action Plan with pro rata targets, although actual outputs also seem relatively in line with predictions. Of the eight outputs under the measure, predicted progress already exceeds the Programme Complement target in five cases. In similarity to Measure 1 there seem to be problems with the output relating to increased turnover in assisted or supported SMEs where predicted progress is poor in relation to the target.

In Priority 1, Measure 3 (Developing Competitive SMEs) progress has been good on the jobs-related outputs (though this needs to be seen in the light of our project sample which suggested job predictions were unlikely, on aggregate to be reached), but once again, there appear to be difficulties in outputs relating to increases in turnover, and in this specific case, increases in gross tourist expenditure. Again, in terms of the cross-cutting themes, progress against the target for companies introducing Environmental Management Schemes is disappointing, both in predicted, and particularly in terms of actual achievement (entered as zero).

Priority 1, Measure 4 (Promoting Adaptability and Entrepreneurship) includes 14 outputs. In only six cases here has progress been good when compared with the percentage of budgeted funds committed. There is a large variation in predicted achievements against the Programme Complement target, with particularly slow progress noted with respect to number of beneficiaries involved in other entrepreneurship activities, childcare places provided, trainers trained, and number of work modernisation projects (where only one project has been achieved and six predicted compared to 150 in the targets) - at least two of which have serious definitional problems. The lack of outputs with regard to job creation – only 4 reported and 138 forecast, compared to a target of 900 reflects the fact that job creation is rarely related to ESF measures (See Chapter 4). The relatively low figures for actual outputs in terms of some key targets for this measure – 105 managers/proprietors trained compared to a target of 10,000 (1%), 886 beneficiaries obtaining a qualification, compared to a target of 25,396 (3.5%) and 249 companies helped compared with a target of 6,330 (4%), and no childcare places created - against declared spend of nearly 19% (although this includes advance payments) confirms the findings of our project sample that the focus of the Measure does not appear to be as clearly on SMEs needs as might be expected.

Finally under Priority 1, Measure 5 (Providing Sites and Premises for SMEs), there are six outputs listed of which just three actually have a Programme Complement target. Progress appears reasonable in two cases (hectares of land developed, and jobs accommodated), but with rather less progress on number of square metres of floor-space made available. On this output the predicted achievement represents only 36.7% of the target but with 67.5% of funds having already been committed. This may reflect a heavier emphasis on new build than refurbishment of existing premises. Actual achievements appear very much in line with forecasts, relative to payments made, as might be expected with an infrastructure measure.

**Priority 2 (Developing Innovation and the Knowledge-Based Economy)**

In Priority 2, Measure 1 (ICT Infrastructure) there is only one output listed and this does not link to the Programme Complement, and with very poor progress (i.e. just 11 temporary jobs so far predicted and 5.8% of budgeted ERDF already committed).

In Priority 2, Measure 2 (To Stimulate and Support Demand for ICT) predicted progress has been good in the majority of outputs, with predicted at or above the target in five out of eight
cases. On the four employment based indicators, predicted progress is good on *gross new indirect jobs*, and *jobs safeguarded*, but very poor on outputs relating to *gross new direct jobs*, and *gross new jobs in high technology*. This confirms the findings of our project sample – with the proviso that the linkages to indirect jobs may be more tenuous than envisaged by the PMC. This appears to be a significant problem with the likelihood that projects under the Measure cannot be connected to direct employment effects. Again, lack of anticipated data on turnover appears to be an issue, while the predicted over achievement in terms of *No. of firms benefitting (profitability increases) from e-commerce and ICT support* seems more likely to result from defining this in a rather generic way.

In the case of Priority 2, Measure 3 (Support for the Development of Innovation and Research and Development), there are 14 outputs classified by WEFO. As in Measure 2, there again appears to be problems relating projects directly to employment creation, with the strongest predicted performance being in terms of *safeguarded jobs*. In overall terms nearly 60% of budgeted funds have been committed to this measure and it is thus unlikely that the employment targets will be met. Other problems relate to the output number of *gross new high technology companies*, and the output relating to *increase in turnover of supported companies*.

Priority 2, Measure 4 (Skills for Innovation and Technology) has 12 output categories. In general terms, there seems to be a serious problem with this Measure in terms of its ability to realise the targets set for it, with poor progress in 11 of the 12 output categories when compared to funds committed. In part, this may relate to the fact that the Measure is being used principally to support high-level training where the costs per beneficiary and per output may be significantly higher than in other ESF measures, but this is clearly worrying. The very low numbers predicted for *managers receiving training in innovation* and for *employees helped* again ties in with evidence from the project sample that this Measure is being used somewhat loosely to provide training which may not be closely tied in to the intention of the Measure.

Finally in Priority 2, Measure 5 (Clean Energy Sector Developments) shows good predicted progress towards the (admittedly very basic) Programme Complement targets, given the low degree of interest in the Measure to date.

**Priority 3 (Community Economic Regeneration)**

In overall terms, Measures 1 (Community Action for Social Inclusion), 2 (Partnership and Community Capacity Building) and 3 (Regeneration of Deprived Areas Through Community-Led Action) reveal good predicted progress towards Programme Complement targets – although these need to be qualified by concerns about the interpretation of targets such as beneficiaries and community groups advised/assisted outlined in Section 5.3.2 above. For example, for these three Measures, there are 25 categories of output, of which 21 relate to Programme Complement targets. In each of the 21 predicted progress towards the target has been good with respect to the level of budgeted funds committed and in 13 of the 21 cases, predicted outputs already exceed the target.

In Priority 3, Measure 4 (Support for the Social Economy) predicted performance has been much more variable. Of the eight categories of output with a related Programme Complement target, predicted progress towards the targets has been good in four cases given that just 20.8% of funds have been committed. Poorer progress has occurred in the following outputs, *gross jobs safeguarded in community enterprises, £000 increase in turnover in assisted community businesses, number of enterprises receiving support*, and *number of enterprises receiving...*
support led by women, disabled, ethnic minorities. This may reflect the unrealistic expectations of the programme towards the achievement in this measure.

**Priority 4 (Developing People)**

Under Priority 4, Measure 1 (Preventative and Active Employment Measures) there has been fairly good progress on the majority of outputs, even taking into account that 46.2% of funds have already been committed. In just four outputs is predicted progress towards the Programme Complement target less than that expected given the level of funds committed, with major problems confined to one of these: number of gross jobs safeguarded where there has been no progress towards the Programme Complement target at all. In our view, this reflects a problem with target-setting rather than the projects themselves: it is questionable if this should be a target for this Measure. In terms of actual outputs, the achievement for obtaining a qualification is significantly behind the profile and the predictions when compared to actual spend.

In Priority 4, Measure 2 (Social Inclusion), performance across the output categories is much more variable. An estimated 62.2% of funds have been committed to this measure, but in seven of the 10 output categories progress towards the Programme Complement target is less than 50%, and in 4 cases less than 20%. Poor progress on beneficiaries in work on leaving, and number of capacity building projects is a matter of concern, although in the former case this may reflect an unrealistic target, given the levels of multiple deprivation of many target groups. Again, performance on actual qualifications – with only 918 achieved (only 6% of the target, with nearly 30% of resources actually spent) – is very disappointing, although this again may reflect unrealistic ambitions for a measure of this sort, which is intended to attract those most estranged from formal learning.

Priority 4, Measure 3 Lifelong Learning) reveals a good performance on each of the 11 output categories where there is a related Programme Complement target (i.e. excluding number of beneficiaries which is not a target, but where there also appears to have been good progress). One area of potential weakness, again, appears to be in childcare places, where although the predicted looks highly favourable, actual achievement is very limited at only 8.5% of the Measure-level target (and 4.5% of the predicted total) with 19% of funding spent.

In Priority 4, Measure 4 (Improving the Learning System) there are 13 categories of output but none are tied to targets in the revised Programme Complement as at November 2002. Given that 26% of funding has been paid out, the lack of actual outputs in terms of childcare places compared to a prediction of 1,108 places is of serious concern. The predicted outputs for “units of learning accommodation upgraded” at 11,398 (with 10,171 actually achieved) looks bizarre and is presumably due to a data error – although our fieldwork revealed considerable confusion about the targets being used in this measure (with, in one case, a unit defined as a classroom).

In Priority 4, Measure 5 (Improving the Participation of Women in the Labour Market) there are nine categories of output, of which eight are tied to Programme Complement targets. In three out of the eight cases predicted outputs already exceed the target. One oddity is that predicted performance on beneficiaries gaining a qualification is good (already predicted is far beyond the Programme Complement target), whilst performance on beneficiaries completing their courses is poor given the level of funds expended. The poor performance on actual achievement compared to predicted in both these indicators suggest project sponsors may have exaggerated outputs – and the poor achievement in both actual and predicted in terms of unemployed beneficiaries in work on leaving confirms the findings of our project sample that projects under this measure may well be more related to social inclusion than to employment outcomes.
Finally in Priority 4, Measure 6 (Anticipation and Analysis of Skills Needs) each predicted output is already well in excess of the Programme Complement target. However, actual declared outputs are very low in some cases at the mid-term stage.

**Priority 5 (Rural Development and the Sustainable Use of Natural Resources)**

Priority 5, Measure 1 (Processing and Marketing of Agricultural Products) is a peculiar case because there is no actual progress reported in each of the seven output categories, despite the fact that 14% of expenditure has been spent. Predicted outputs reveal some progress towards Programme Complement targets. However, given that 36.4% of funds have been committed to this Measure, progress on the following outputs is disappointing:

- number of new SMEs receiving financial support (virtually no progress)
- number of new companies created in rural areas (virtually no progress)
- number of gross jobs safeguarded.

Our project sample suggests that the problems of the food processing industry, subsequent to FMD and to a series of closures in the region, are posing significant difficulties for this Measure.

In the case of Priority 5, Measures 2 (Training Services to Help Farming Adapt and Diversify) and 3 (Forestry), progress appears to have been good with predicted outputs well on the way, or close to Programme Complement targets given the level of funds committed under the measures. Actual results here also seem in line with predictions, which is particularly encouraging given that targets may well have been set for larger projects on a pro rata basis.

In Priority 5, Measure 4 (Promoting the Adaptation and Development of Rural Areas) a similar conclusion applies in aggregate, but with poor progress in number of gross new direct jobs, and number of new companies created in rural areas – two critical areas for the Programme. This confirms the findings of our project sample.

In Priority 5, Measure 5 (Investment in Agricultural Holdings) there are just two output categories, and predicted progress on both is good. However, this Measure is one in which targets are known to have been set on a pro rata basis, although the modest actual achievement is slightly ahead of the actual spend to date.

Progress in Priority 5, Measure 6 (Promoting Local Economic Development) is far more variable across the seven output categories for which there is a Programme Complement target. Importantly on this measure there has been very little progress towards meeting the number of gross new direct jobs target i.e. with predicted at around just 10% of the Programme Complement target but with 37.1% of funds committed. Again this reflects the findings in our project sample. Whilst there has been poor progress on the output numbers of new SMEs benefiting from support and advice, there has been good progress on the output number of existing SMEs benefiting from support and advice. The poor performance on the former might be linked to the poor performance on the number of new companies created in rural areas output under this measure.

Priority 5, Measure 7 (A Sustainable Countryside) features a diverse range of 12 outputs, nine of which have related Programme Complement targets. Just 29.5% of the budgeted structural funds have been committed here. Predicted progress as a percentage of the Programme
Complement target has been good in four cases. Importantly actual and predicted progress on the main jobs target under this measure has again been poor.

There has also been variable progress towards Programme Complement targets in Priority 5, Measure 8 (Support for Recreational Opportunities and the Management of the Natural Environment). In terms of gross jobs safeguarded the predicted quantity already exceeds the Programme Complement target, but with rather less progress in gross new jobs (direct and indirect).

In Priority 5, Measure 9 (Fisheries and Aquaculture), progress in terms of jobs created is again somewhat limited – particularly in terms of actuals - though this should be seen in the context of problems within the industry and the general performance within Priority 5. Our project sample suggested some extremely high cost-per-job figures for interventions under this Measure.

**Priority 6 (Strategic Infrastructure Development)**

Conclusions regarding the outputs in the measures under Priority 6 must be predicated on the very low levels of funds committed to each of the measures. In the case of Priority 6, Measure 1 (Accessibility and Transport), the predicted outputs as a percentage of the target are good given that just 9.7% of funds have been committed, although no actual outputs have been declared.

Similar conclusions apply in Priority 6, Measure 2 (Energy Infrastructure) in the case of the two outputs that are related to Programme Complement targets.

In Priority 6, Measure 3 (Strategic Employment Sites) there has been some progress on hectares of land developed, and large sites supported, but with more disappointing predicted quantities in terms of square metres of floor-space made available (in line with Priority 1 Measure 5) and jobs accommodated.

Finally, in Priority 6, Measure 4 (Environmental Infrastructure) just 1.8% of funds have been committed, which is undoubtedly linked to the fact that in two output categories with Programme Complement targets there has been no progress at all.

**5.4 Progress Towards Impacts**

It is recognised by the Commission that a Mid-term evaluation is only likely to provide an indication of whether a Programme is on course to achieve its forecast impacts.

In terms of the evidence for this Mid-term evaluation, there are four elements which we can take into account:

- The evidence on progress towards the relevant gross outputs from the aggregate data and from our project sample analysed in Section 5.3 above: clearly, the potential to achieve net impacts such as net additional jobs, net safeguarded jobs, net additional SMEs, survival rates for community businesses, and the percentage of individuals in work 6 months after ESF support, is dependent on whether the related gross results are likely to be reached.
• The evidence from the 2001 ESF leavers survey (it was agreed by the Evaluation Advisory Group that we should not seek to undertake a survey of ESF beneficiaries as this would duplicate the UK-wide work) (Section 5.4.1)

• The evidence from our very limited survey of ERDF/EAGGF beneficiaries, which, because of its limited scale can only give some broad indications. (Section 5.4.2)

• The views of those we consulted through the process evaluation (Section 5.4.3).

We examine each of these in turn, before in Section 5.4.4 summarising our view of progress towards impacts on the basis of all the evidence.

5.4.1 ESF Leavers Survey 2001

In terms of the Leavers Survey, the sample for the Objective 1 Programme was of a sufficient scale to be broadly reliable (891 or 49% of the beneficiaries approached responded), although the individuals surveyed had benefited overwhelmingly from support under Priority 4 (79%) and 1 (18%). In the case of companies, because samples were small, the results combine both the Objective 1 and Objective 3 areas: 85 companies were surveyed between six and 12 months after receiving help. Key findings in terms of the progress of the Programme were:

Individuals

• Women represented 54% of beneficiaries, compared to an aggregate target across ESF measures in the Programme of 48%, although the proportion was higher (64%) in the Valleys than in West Wales. Black and minority ethnic individuals represented only 1% of beneficiaries (slightly below the targets set) and those declaring a long-term health problem 16% (compared to a 17% target). 20% spoke Welsh at home. This implies the Programme is broadly reaching the appropriate target groups.

• Only 11% of beneficiaries (90% of whom were women) classified themselves as returners to the labour market and, while 35% were unemployed before commencing their ESF support, only 17% had been unemployed 12 months previously: this might imply a rather limited relationship between the ESF activities and the effort to reduce inactivity. However, 65% experienced more than one type of labour market disadvantage and 35% had no qualifications.

• In terms of the support received, more than 80% of beneficiaries (of both sexes) claimed to have received some form of training or skills related support. Almost 50% of beneficiaries receiving training undertook IT courses and some 30% pursued work related training. Just under a quarter of beneficiaries received help with literacy and numeracy skills, slightly less than the proportion of the population considered to be functionally illiterate and/or innumerate. Beneficiaries’ rating of the supported indicates that training activities were generally well received, whilst job search (work experience and careers advice) support was less highly rated. It also appears that there is room for improving in after-course support.

41 Undertaken by the National Centre for Social Research
• The 2001 Leavers Survey put greater emphasis than previous ones on the extent to which the programme helped develop beneficiaries’ ‘soft’ skills. Almost two thirds of beneficiaries said that the support they had received had helped to improve their self-confidence and to do things independently. Over half said that it had helped them develop team-working skills, become more motivated, communicate more effectively, take responsibility, solve problems etc. Such benefits were more commonly reported by beneficiaries who were out of work.

• 74% of ESF beneficiaries completed their courses or activities compared to a 71% aggregate results target given in the Programme Complement. Those who did complete their courses or activities were considerably more likely to go into work, while early leavers were more likely to be out of work or to go into education/training.

• Some 53% of former beneficiaries were in work (including self employment) at the time of the Leavers Survey compared to 38% immediately prior to participation and an aggregate target of 45% for Priority 4 measures set out in the Programme Complement. Amongst those in work, there were some notable differences, which suggest that the Programme may not be succeeding in breaking down segregation in the labour market:
  - men were more likely to go into full time work;
  - men were more likely to be employed as skilled trades people and process and plant/machine operatives;
  - women were more likely to be in part-time jobs;
  - women were more likely to be employed in administrative/secretarial or personal service occupations;
  - young people were less likely to go into jobs (they were more likely to progress into education or training);
  - older people (50+) were considerably less likely to be in work;
  - 70% were employed on a permanent basis (sustainability indicator).

• Almost half of the former beneficiaries who were not in employment at the time of the Leavers’ Survey were looking for work. The survey revealed a 10% reduction (from 62% to 52%) in the proportion of non-working former beneficiaries who regarded their lack of qualifications as their main barrier to finding work. Whilst this may, as the report claims, indicate the Programme’s success in helping beneficiaries gain the qualifications required, it is possible that former beneficiaries who remain out of work after participating in courses/activities may be more aware of other labour market barriers such as an absence of available jobs locally, their inability to travel as well as other ‘soft’ barriers, including employer discrimination against certain groups of people.

• Although rates of employment amongst more disadvantaged beneficiaries remain substantially lower than among other beneficiaries, the Survey suggests a relatively high rate of increase in employment among multiple disadvantaged groups. The report suggests that “ESF may have been comparatively [to ND] successful in its approach towards those with multiple disadvantage”.

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42 This reflects the findings of Halsuck’s (2000) evaluation of the New Deal 25+, which highlighted the significance of age as a barrier to employment – “Whatever the claim of employers regarding their attitudes differ towards older jobseekers, the reality is that the older ND25+ participant, the less likely they are to leave the programme for employment.”
• Some 49% of former beneficiaries had achieved a qualification compared to a target of 48% for Priority 4 measures set out in the Programme Complement. A further 10% of former beneficiaries had worked towards qualifications without achieving them. Amongst those who did achieve qualifications:
  ▪ men were more likely to have achieved than women;
  ▪ a greater proportion of younger people achieved qualifications than their older counterparts;
  ▪ employed people were more likely to achieve qualifications;
  ▪ qualifications and certificates recorded by many beneficiaries were not recognised and could not be assigned an NVQ equivalent;
  ▪ only a little over a quarter of the qualifications achieved could be assigned an NVQ level;
  ▪ where qualifications could be assigned an NVQ level, NVQ1 was the most commonly achieved.

Beneficiaries in West Wales were more likely than those in the Valleys to have obtained a qualification on their course (54% compared to 44%).

• The Leavers Survey implies that many of the qualifications achieved were at the same or a lower level than those already held by beneficiaries, though no specific data is provided to illustrate this point. The report points out that “two thirds of beneficiaries who had got a job after the course said that the things they had learned on the course, including any qualification they had gained, had been useful in getting that job.”

Companies

• The most commonly reported impact of the training undertaken were changes made to existing training plans (23% of companies). Approximately 17% of companies had introduced a new training plan and 13% had introduced a training budget.

• No companies introduced crèche facilities.

• Some 43% of companies said that they did more off the job training as a result of ESF support and some 21% said that they provided more on the job training. Conversely, 45% of companies said that ESF support had made no difference to the level of off the job training provided and 69% reported no change in the level of on the job training provided.

• The majority of companies (95%) felt that they had derived some benefit from the training, but the survey reveals that those benefits are most likely to have had small impacts on the company, rather than led to big improvements. Some 67% of companies planned to undertake more training.

5.4.2 ERDF/EAGGF beneficiaries survey

Our own beneficiary survey presents a broadly positive view of support received through the diverse projects involved in the survey. These results need to be qualified by the very small sample size (117 responses) and the low response rate (14%). Nevertheless, the key points to emerge are:
• The overwhelming majority of beneficiaries (73%) felt that they had derived significant benefits from the project they had taken part in, while 87% would recommend the project to others.

• Similarly, an overwhelming majority of beneficiaries (78%) agreed that the costs of being involved with the project had been reasonable.

• In terms of “additionality”, a majority disagreed with the view that “I would have done the sorts of things I did on the project anyway” (58%), although less (42%) believed that similar support was not available from other sources, with the balance split between those who did not know/did not respond (37%) and those who disagreed (21%).

• A large majority (80%) felt that the project had been delivered well, although 31% felt that there were improvements to delivery that could have been made.

• Interestingly, 36% were not aware that the project they had benefited from was funded by Objective 1.

• In terms of impact, 57% believed the project had already changed the way in which they/their company operated, and only 11% felt that the project would make no difference to this in future.

• Of the businesses surveyed, 42% felt that the project had already helped to increase their turnover, with 29% saying this was not the case.

• In terms of employment, however, only 22% of businesses responding believed that the project had already led to the company increasing its numbers of staff, with 35% reporting no increase (and the balance responding that they neither agreed nor disagreed with this contention).

5.4.3 Evidence from the process evaluation

Evidence from the partnership survey and interviews with both PMC members and partnership board members suggested that whilst there was a strong belief that the Objective 1 Programme was making generally good progress, there were some concerns about the overall impact that the Programme was going to make. The majority of PMC members and advisors interviewed indicated that they believed that some valuable projects had come forward which would have a positive long-term impact, especially in relation to the “soft infrastructure” and skills base of the Welsh economy.

However, nine members (where n = 23) indicated that they had concerns as to whether the Programme was bringing forward enough innovative ‘blue-sky’ or landmark projects that were likely to make a tangible and significant difference. A representative view was: “we need to encourage people to think bigger with their projects and applications – there will be economies of scale for everyone”.

In terms of the partnership survey, almost a third (32%) of survey respondents believed the Programme would not achieve its main objectives with some large variations between respondents from different partnerships.
Table 5.7 ‘The programme is unlikely to achieve its main objectives’

<table>
<thead>
<tr>
<th>Partnership</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Torfaen</td>
<td>2.17</td>
</tr>
<tr>
<td>FCCM</td>
<td>2.25</td>
</tr>
<tr>
<td>IRD</td>
<td>2.40</td>
</tr>
<tr>
<td>NPT</td>
<td>2.46</td>
</tr>
<tr>
<td>Blaenau Gwent</td>
<td>2.50</td>
</tr>
<tr>
<td>Denbighshire</td>
<td>2.57</td>
</tr>
<tr>
<td>Agri – Food</td>
<td>2.67</td>
</tr>
<tr>
<td>HRD (Obj 1)</td>
<td>2.67</td>
</tr>
<tr>
<td>Carmarthenshire</td>
<td>2.69</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>2.75</td>
</tr>
<tr>
<td>Caerphilly</td>
<td>2.88</td>
</tr>
<tr>
<td>Conwy</td>
<td>3.00</td>
</tr>
<tr>
<td>Gwynedd</td>
<td>3.00</td>
</tr>
<tr>
<td>Business Support</td>
<td>3.00</td>
</tr>
<tr>
<td>Community Regeneration</td>
<td>3.00</td>
</tr>
<tr>
<td>Swansea</td>
<td>3.07</td>
</tr>
<tr>
<td>IS</td>
<td>3.13</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>3.17</td>
</tr>
<tr>
<td>Bridgend</td>
<td>3.33</td>
</tr>
<tr>
<td>Ceredigion</td>
<td>3.38</td>
</tr>
<tr>
<td>Pembrokeshire</td>
<td>3.38</td>
</tr>
<tr>
<td>Merthyr Tydfil</td>
<td>3.43</td>
</tr>
<tr>
<td>Tourism</td>
<td>3.43</td>
</tr>
<tr>
<td>Anglesey</td>
<td>3.45</td>
</tr>
<tr>
<td>RCT</td>
<td>3.57</td>
</tr>
<tr>
<td>Overall</td>
<td>2.96</td>
</tr>
</tbody>
</table>

Source: Survey of local and regional partnerships
N=246. Mean scores on 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’

Survey respondents from the private sector were, on the whole, the most pessimistic (Table 5.8)

Table 5.8 ‘The programme is unlikely to achieve its main objectives’

<table>
<thead>
<tr>
<th>Sector</th>
<th>Mean score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trades Union</td>
<td>2.57</td>
</tr>
<tr>
<td>Voluntary/community</td>
<td>2.86</td>
</tr>
<tr>
<td>Local Government</td>
<td>2.90</td>
</tr>
<tr>
<td>Other public sector</td>
<td>2.95</td>
</tr>
<tr>
<td>Private</td>
<td>3.07</td>
</tr>
<tr>
<td>Overall</td>
<td>2.95</td>
</tr>
</tbody>
</table>

Source: Survey of local and regional partnerships
N=246. Mean scores on a 5 point Lickert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’
Several survey respondents who added comments to their responses believed that the lack of major projects would mean that the programme would fail to have a significant impact on the Welsh economy. One believed: ‘Partnerships lack the capacity to develop large scale (£10m+) projects – particularly in hard-edged economic development – without this we will ultimately not make the difference. The role of the WDA and ELWa has been woefully inadequate – passive and not proactive – we desperately need more engagement from them’.

Similarly, whilst partnership board members we interviewed across all partnerships were able to cite examples of projects that they felt would make a lasting impact either locally or in terms of the region as a whole, across all partnerships concerns were raised about the likely scale of this impact. Again a lack of available data was commonly cited as a problem limiting effective assessment of the programme’s impact. Interviewees in the regional partnership were more vocal on this issue than in the local partnerships, with several of the regional partnership board members interviewed suggesting that the impact of the programme would be small because of the lack of large-scale, innovative projects.

5.4.4 Commentary by Priority

From the perspective of the analysis of activity and results indicators above in Section 5.3 above and in the light of the results of the ESF leavers survey and our own limited ERDF/EAGGF beneficiaries survey, we can make the following observations on the Priority-level impacts:

**Priority 1**

The target of 18,000 net additional jobs and 6,000 net jobs safeguarded seems broadly possible in view of the predicted and actual jobs outputs to date – though we believe predicted totals are inflated by large projects setting targets pro rata and by general levels of unrealistic expectations. The lack of current project-level evaluation (see Chapter 6) is worrying in terms of gauging issues such as deadweight and double-counting in terms of interventions. The target of 6,000 net additional SMEs would seem more challenging, particularly in view of the risk of double-counting between interventions in Measure 1 and Measures 2 and 3.

**Priority 2**

The target of 11,100 net additional jobs seems overly ambitious in the light of the relatively poor performance in this Priority in terms of forecast jobs outputs, and the clear difficulties in establishing linkages between the sort of projects funded and direct job impacts, although the target of 7,900 net safeguarded jobs looks more within reach. The target of 2,500 net additional high-tech companies relates poorly to Programme Complement activity and results targets and lacks clear definition, while the figure of 2% of UK level R and D expenditure would appear to be largely aspirational.

Progress against National Education and Training Targets is in some ways an outdated indicator, but the low level of qualifications achieved and planned under the ESF measure in this Priority means that the contribution to this impact indicator will be limited.

**Priority 3**

The poor performance to date of Priority 3, Measure 4, which accounts for the bulk of the job targets within this Priority means that the impact target of 2,500 net new jobs for people from
targeted areas is likely to be hard to achieve. The targets for community enterprises surviving after 18 months (50%) and community-owned facilities in operation after two years (75%) look more achievable, though it is not clear whether monitoring arrangements have been put in place to collect this data.

**Priority 4**

The impact target of 3,500 net jobs safeguarded is unlikely to be achieved, and arguably is inappropriate to this Priority. For different reasons, it is questionable whether the target of 50,000 individuals in employment immediately after ESF support is a suitable impact indicator, since it will say little about sustainability, and is confused by the fact that many beneficiaries are already in employment at the time of recruitment onto the ESF intervention, and the latter concern also applies to the target of 58,000 in employment after 6 months. The target of 20,000 individuals participating in lifelong learning as a result of ESF support seems attainable, in the light of the good performance to date of Priority 4, Measure 3, although this will need to be tracked through the ESF leavers survey. The targets for the percentage of unemployed young people unemployed for less than 6 months and of unemployed adults out of work for less than 12 months seem likely to be achieved, but the attribution of this to the Programme seems more problematic.

**Priority 5**

The target for 4,900 net jobs created would appear very challenging in the light of the experience to date under this Priority and the challenges for the rural economy, as does the target of 1,000 net jobs in food processing, given that only 545 gross jobs are predicted so far, and none have been achieved. Equally the actual and predicted outputs for new SMEs under this Priority give little hope that the impact indicator for 2,000 net new firms can be achieved. An increase in farm incomes may occur, but tracing the linkages to the Programme may be difficult.

**Priority 6**

The target of 7,000 net additional jobs looks ambitious, since the main direct employment effect of this Priority is through jobs accommodated. However, the target for 5,000 net jobs safeguarded looks more attainable. Again the target of 5% of the region’s energy supply being obtained from renewable sources is only tangentially linked to the activities funded by the Programme.

### 5.5 Progress Against Performance Reserve Indicators

Obviously, with the Performance Reserve Indicators targets set for the 31 December 2003, we cannot yet provide a definitive view of the achievement against these Indicators, which have been agreed between WEFO as the Managing Authority and the European Commission.

Table 5.9 provides an overview of progress with respect to the agreed Performance Reserve Indicators for activity and results outputs. While good progress has already been made in terms of the activity PRIs, with the target already met in the case of 13 of the 19 indicators (and with most of the remaining six looking achievable), the situation with regard to the results PRIs is more worrying: only three of the targets has already been reached (although there is, of course still nine months left before the targets must be achieved). For four of the 16, we have not been
able to identify appropriate data, and of the remaining nine, at least four will, in our view, not be met – three of them because they relate to job targets for ESF measures which we believe are methodologically suspect and one (gross new jobs created in food processing) which evidence suggests is proving very challenging.

On balance, we believe that the required 75% of PRI targets can be met in respect of activity and results indicators taken together, but efforts will be needed to ensure that all data in respect of projects’ achievements is up to date by the deadline of 31 December 2003.
<table>
<thead>
<tr>
<th>Measure</th>
<th>Activity</th>
<th>PRI target</th>
<th>SPD Target</th>
<th>Predicted</th>
<th>Actual</th>
<th>Pred/SPD %</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>No. of existing SMEs receiving financial support</td>
<td>1000</td>
<td>4000</td>
<td>4164</td>
<td>1320</td>
<td>104.1</td>
<td>1.6</td>
</tr>
<tr>
<td>1.2</td>
<td>No. of people targeted by entrepreneurship marketing and advisory campaigns</td>
<td>150000</td>
<td>600000</td>
<td>473840</td>
<td>162583</td>
<td>79.0</td>
<td>2.0</td>
</tr>
<tr>
<td>1.5</td>
<td>No. hectares of land developed</td>
<td>14</td>
<td>70</td>
<td>130.29</td>
<td>58.89</td>
<td>186.1</td>
<td>2.8</td>
</tr>
<tr>
<td>2.2</td>
<td>No. of firms benefiting (profitability increases) from e-commerce and ICT support</td>
<td>600</td>
<td>3000</td>
<td>8958</td>
<td>1977</td>
<td>298.6</td>
<td>7.1</td>
</tr>
<tr>
<td>2.3</td>
<td>No. of collaborative projects between companies and research institutions</td>
<td>50</td>
<td>200</td>
<td>922</td>
<td>403</td>
<td>461.0</td>
<td>7.7</td>
</tr>
<tr>
<td>3.1</td>
<td>No. of community groups assisted</td>
<td>210</td>
<td>700</td>
<td>286</td>
<td>343</td>
<td>40.9</td>
<td>2.3</td>
</tr>
<tr>
<td>3.2</td>
<td>No. of community groups assisted</td>
<td>180</td>
<td>600</td>
<td>4109</td>
<td>2240</td>
<td>684.8</td>
<td>18.5</td>
</tr>
<tr>
<td>3.3</td>
<td>No. of interagency partnerships/regeneration initiatives supported</td>
<td>30</td>
<td>150</td>
<td>274</td>
<td>256</td>
<td>182.7</td>
<td>6.7</td>
</tr>
<tr>
<td>4.1</td>
<td>No. of adults receiving help before 12 months unemployment</td>
<td>4519</td>
<td>15065</td>
<td>11225</td>
<td>7615</td>
<td>74.5</td>
<td>1.6</td>
</tr>
<tr>
<td>4.1</td>
<td>No. of young people receiving help before 6 months unemployment</td>
<td>2920</td>
<td>9732</td>
<td>7292</td>
<td>3150</td>
<td>74.9</td>
<td>1.6</td>
</tr>
<tr>
<td>4.1</td>
<td>No. of beneficiaries on training programmes</td>
<td>4380</td>
<td>14600</td>
<td>16215</td>
<td>3030</td>
<td>111.1</td>
<td>1.8</td>
</tr>
<tr>
<td>4.1</td>
<td>No. of beneficiaries undertaking basic skills training</td>
<td>2556</td>
<td>8250</td>
<td>25075</td>
<td>4801</td>
<td>303.9</td>
<td>7.9</td>
</tr>
<tr>
<td>5.1</td>
<td>No. of projects supported</td>
<td>13</td>
<td>63</td>
<td>61</td>
<td>0</td>
<td>96.8</td>
<td>2.7</td>
</tr>
<tr>
<td>5.3</td>
<td>No. of new sustainable woodland management schemes</td>
<td>199</td>
<td>995</td>
<td>533</td>
<td>65</td>
<td>53.6</td>
<td>0.8</td>
</tr>
<tr>
<td>5.4</td>
<td>No. of projects encouraging tourism and craft industries</td>
<td>7</td>
<td>48</td>
<td>54</td>
<td>25</td>
<td>112.5</td>
<td>2.3</td>
</tr>
<tr>
<td>5.5</td>
<td>No. of agricultural holdings supported</td>
<td>262</td>
<td>1050</td>
<td>880</td>
<td>59</td>
<td>83.8</td>
<td>2.3</td>
</tr>
<tr>
<td>5.7</td>
<td>No. of access management projects</td>
<td>10</td>
<td>50</td>
<td>56</td>
<td>36</td>
<td>112.0</td>
<td>3.8</td>
</tr>
<tr>
<td>5.9</td>
<td>No. of aquatic development projects supported</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>33.3</td>
<td>0.5</td>
</tr>
<tr>
<td>6.3</td>
<td>No. hectares of land developed</td>
<td>42</td>
<td>212</td>
<td>74.1</td>
<td>0</td>
<td>35.0</td>
<td>1.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>PRI target</th>
<th>SPD Target</th>
<th>Predicted</th>
<th>Actual</th>
<th>Pred/SPD %</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Gross jobs created</td>
<td>1140</td>
<td>11400</td>
<td>11475</td>
<td>3519</td>
<td>100.7</td>
</tr>
<tr>
<td>1.4</td>
<td>% new businesses surviving at 18m</td>
<td>20%</td>
<td>50%</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>1.4</td>
<td>Gross jobs created by ESF support</td>
<td>90</td>
<td>900</td>
<td>138</td>
<td>4</td>
<td>15.3</td>
</tr>
<tr>
<td>1.5</td>
<td>Jobs accommodated</td>
<td>446</td>
<td>4460</td>
<td>8530</td>
<td>2016</td>
<td>191.4</td>
</tr>
<tr>
<td>2.4</td>
<td>Gross jobs created</td>
<td>40</td>
<td>400</td>
<td>75</td>
<td>0</td>
<td>18.8</td>
</tr>
<tr>
<td>2.4</td>
<td>No. cos introducing innov management projects</td>
<td>125</td>
<td>500</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3.3</td>
<td>Gross jobs created in supported projects</td>
<td>110</td>
<td>1100</td>
<td>554</td>
<td>217</td>
<td>50.3</td>
</tr>
<tr>
<td>4.1</td>
<td>Gross jobs safeguarded</td>
<td>500</td>
<td>5000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4.5</td>
<td>% positive outcomes for women</td>
<td>85%</td>
<td>85%</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>5.1</td>
<td>Gross new jobs created in food proc.</td>
<td>300</td>
<td>1500</td>
<td>545</td>
<td>0</td>
<td>36.3</td>
</tr>
<tr>
<td>5.3</td>
<td>Hectares of woodland benefiting from community participation</td>
<td>800</td>
<td>4000</td>
<td>5081</td>
<td>111</td>
<td>127.0</td>
</tr>
<tr>
<td>5.4</td>
<td>Gross new jobs created</td>
<td>30</td>
<td>300</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>5.5</td>
<td>Gross jobs safeguarded</td>
<td>180</td>
<td>1800</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>5.5</td>
<td>Businesses operating at improved eff.</td>
<td>75</td>
<td>500</td>
<td>200</td>
<td>0</td>
<td>40</td>
</tr>
<tr>
<td>5.7</td>
<td>km of managed access in countryside</td>
<td>220</td>
<td>1100</td>
<td>318</td>
<td>55</td>
<td>28.9</td>
</tr>
<tr>
<td>6.3</td>
<td>Gross jobs accommodated</td>
<td>1860</td>
<td>23720</td>
<td>2795</td>
<td>500</td>
<td>11.8</td>
</tr>
</tbody>
</table>
In terms of the management and financial PRIs, these are set out in Table 5.10. In our judgement, the criteria for the first and third of the management criteria should be clearly achieved, with the fourth, for obvious reasons, being one that is for the PMC and the Commission to make. We are aware that audit financial monitoring audit visits have only recently begun, but believe that this target should be achievable.

In terms of the two financial criteria, we believe that the first is likely to be met. With regard to the second, the evidence reviewed in Section 5.2 above suggests that the level of private match-funding (as defined by the European Commission) is currently somewhat below that envisaged for the Programme as a whole, and would not, on current figures meet this target, but we are aware that more work is needed to clarify some of the data. It is clearly important for this to take place before 31 December 2003.

<table>
<thead>
<tr>
<th>Management Criteria</th>
<th>Scope</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Monitoring Systems</td>
<td>Prog</td>
<td>% share of the programme measures (in term of value) covered by the annual financial and monitoring data compared with target</td>
<td>100% of mid term level</td>
</tr>
<tr>
<td>Quality of Financial Control</td>
<td></td>
<td>% of expenditure covered by financial monitoring audit compared with target</td>
<td>5% of expenditure incurred by mid term</td>
</tr>
<tr>
<td>Quality of project selection systems</td>
<td>Project</td>
<td>% of expenditure committed by the projects selected using clearly identified selection criteria or appraised through cost-benefit analysis compared with target</td>
<td>100%</td>
</tr>
<tr>
<td>Quality of evaluation system</td>
<td>Prog</td>
<td>Independent intermediary evaluation of acceptable quality which demonstrates that, on balance, the evaluation has sufficiently satisfied in the opinion of the PMC and the Commission, the means criteria in Working Paper 4</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Criteria</th>
<th>Scope</th>
<th>Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of Funds</td>
<td>Prog</td>
<td>% of expenditure reimbursed or requested receivable in relation to annual commitment (expenditure corresponding to 100% of commitments in the first 2 years)</td>
<td>100 %</td>
</tr>
<tr>
<td>Leverage Effect</td>
<td>Prog</td>
<td>% of private sector resources committed, compared to planned target</td>
<td>85 %</td>
</tr>
</tbody>
</table>
Overview of the Chapter

- Drawing on WEFO’s aggregate data, so far generally good progress on allocating Objective 1 funds (commitments) appears to be being made, though they are some areas of concern - such as Priority 3 (Community Economic Development) and some Measures in Priorities 2 (Developing Innovation and the Knowledge Based Economy) and 6 (Strategic Infrastructure). There are also some Measures - for example, Priority 1 Measure 5 (Providing Sites and Premises for SMEs) and Priority 4, Measure 4 (Improving the Learning System) where strong demand to date means that quality projects may not be funded in the later stages of the Programme.

- Progress on spending resources (payments) is slower: but while there is some evidence from the project sample of ‘undeclared underspend’, this is likely to be relatively modest (10-15%).

- Predicted performance in relation to the majority of targets is also good. The limited evidence from actual declared outputs and from the project sample suggests that, though there is a pattern of under-achievement compared to forecasts, most Programme activity and results targets will be met. A significant concern is, however, the evidence of under-achievement in terms of employment outputs across the Programme, with the exception of Priority 1 (Expanding and Developing the SME Base) The project sample also suggests that projects may not always be using the definitions of key outputs now provided by WEFO and that the intensity of the support provided by project sponsors is often less than they have indicated.

- It is a very early stage to be assessing impacts. Such evidence as there is points to positive impacts at the level of individual or SME beneficiaries, but suggests the key Priority-level impacts may not be achieved because of the challenges of generating employment impacts.

- In terms of the Performance Reserve Indicators, while progress on many indicators is good, a number of targets seem unlikely to be met and efforts will be needed to ensure all actual output data is collected and recorded before the deadline of 31 December 2003.
6. THE EFFECTIVENESS OF THE PROGRAMME PROCESSES

In this Chapter, we examine the effectiveness of the Programmes processes, drawing principally on the evidence from our project sample and from the process evaluation itself, but also from analysis of guidance material available to applicants, principally on the WEFO website and the work of the Auditor-General for Wales. We examine in turn:

- Project genesis, development and application processes
- Project appraisal and selection processes
- Project implementation, monitoring, evaluation and audit processes
- The role of partnerships

6.1 Project Genesis, Development and Application Processes

6.1.1 Evidence from our Desk-Based Analysis

In terms of the promotion and awareness of the Programme, the information available on the WEFO website is comprehensive and thorough, as evidenced by the comparison with other Objective 1 regions in the UK conducted by the Auditor-General for Wales. Some of the material, however, is not up to date and there is a need to flag more clearly which materials are intended for project applicants (Much of the “guidance” is actually directed at partnerships, for example). Progress is being made in terms of “fact sheets” and publications, including a recently published guide to Local and Regional Partnerships, while WEFO’s regular newsletter has a circulation of some 2,400. Much of the material available is, however, concerned with general “awareness-raising”, rather than the promotion of best practice or the use of case-studies. This is an issue that the Communications Team in WEFO are aware of, and relates to concerns more generally about the extent to which project’s experiences are being captured and disseminated (see Section 6.3).

In terms of the application form and guidance, we are aware that the ERDF/EAGGF/FIFG form is shortly to be replaced – in accordance with the recommendations of the Auditor-General. From the viewpoint of best practice, we believe that WEFO is to be commended on the standard of the guidance now available. In particular,

- The Criteria for the Selection of Project is of high quality, very detailed and very thorough, even if it is unavoidable that a lot of the scoring and the sub-questions on which it is to be based, remains judgemental in nature. We believe that the fact that this is publicly available reflects well on the openness of the Programme.

- Likewise the notes on the completion of the full application form are of high quality, detailed and thorough. We have only a few minor caveats to this judgement:
  - There is a tendency to expect a very high level of knowledge on the part of the applicant with regard to contextual documents which heightens the risk that the Programme will concentrate on “professional form fillers”. For example, even in the introduction it is said that applicants should read the Single Programming

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Document and the Programme Complement: it is doubtful whether this is practicable for, for smaller applicants.

- There is a tendency to give more information than is strictly speaking required, e.g. Section 14 dealing with Partnerships spells out how Partnerships should operate. Does the applicant need to know this, as distinct from the fact that they must consult with and submit proposals to the Partnership?

- There is a need for some updating, e.g. Section 20 Equal Opportunities does not make reference to the Guidelines on the website regarding equal opportunities.

In terms of the ESF application process, the situation is somewhat different in that both the application form and the guidance remain that developed by the DfEE, before the full transfer of responsibility for ESF to WEFO in 2001 (although the guidance has been supplemented by additional Welsh guidance). Both the forms and the guidance document appear to us to be very unwieldy, and although they are thorough and comprehensive and contain much useful detail, they do not appear particularly user friendly.

6.1.2 Evidence from the Project Sample

One of the most striking findings of our project sample was the extent to which projects were developed by organisations and individuals with previous experience of applying for and utilising the Structural Funds. This was particularly true of Priorities 1 and 4, which account for the highest levels of both financial commitments and spend, where the majority of projects were clearly developed in line with the organisational priorities of the sponsor. (See Chapter 4).

In the case of Priority 2 and 5 there was more evidence of projects having been developed specifically in response to the challenges and opportunities of the Objective 1 Programme, and, to some extent, of active partnership in the development of project concepts and ideas. A number of projects in Priority 2 showed active participation of the private sector in both the development and the management of the project.

In the case of Priority 3, projects were again principally developed by organisations with significant experience of grant applications, though a relatively small proportion had direct experience of the Structural Funds. Key fund projects seemed to be attracting groups which did not have experience of such funds, although it was early days with the key funds reviewed in the project sample.

In terms of the development of projects from the original idea to full application stage, few projects had received any direct support from WEFO (this is, of course, in line with the explicit expectation that partnerships should provide this sort of front-line assistance). The exceptions concerned private-sector led projects, where, in some cases, WEFO had been actively involved in providing direct advice to the applicant through the Private Sector Unit. However, a number of project sponsors – particularly those from larger organisations, involved in developing a series of project ideas – appeared to have good informal contacts with WEFO, and felt that they were able to “test out” these direct with the relevant desk officer. In this regard, however, there was a difference between the experience of applicants under ERDF/EAGGF on the one hand and ESF on the other, with the ESF team in Machynlleth being perceived by project sponsors in our sample as more remote from the project development process.

The active engagement of WEFO staff in local partnerships was also generally perceived by partnership secretariats as having improved the support provided by WEFO to partnerships in
the project development, or “proof of concept” stage. However, here too, there was a contrast between ERDF/EAGGF on the one hand and ESF on the other, with the ESF staff being perceived by partnership secretariats as having more limited engagement with local partnerships and the WEFO staff engaged in supporting local partnerships having little knowledge of ESF (though we understand that efforts are in hand to address this). More generally, mechanisms did not always seem to be in place for WEFO staff who were engaged in local partnerships to “flag up” with colleagues responsible for Measures where the majority of projects were developed regionally projects coming forward in those Measures. This meant that informal, but informed, WEFO advice was not always equally available to partnerships in the early consideration of project proformas.

In terms of the involvement of partnership secretariats with project development, there appeared to be a difference in perception between the secretariats themselves and the project sponsors. While a minority of projects believed that they had received significant support from the relevant secretariat, a majority saw the partnerships more as a part of the appraisal process than as a resource to assist project development. By contrast, many secretariats stressed their extensive involvement in assisting projects – with in one case, the secretariat reporting that they routinely drafted full application forms for project sponsors. This contrast may partly be explained by timescale – many of the projects in our sample had been developed in the period 2000 – early 2001, when partnerships and secretariats were still in the course of establishing themselves. However, it may also reflect a tendency for partnerships to take on a more significant role in terms of project appraisal than is envisaged in the guidance, where the partnership’s role is seen to be principally concerned with the extent to which the project “fits” with its strategy.

In terms of the formal guidance available from WEFO, many project sponsors were relatively critical, although again this may partly be a function of timescale. The most common sources of guidance were the Programme Complement and the scoring criteria, with policy documents and strategies overwhelmingly seen as sources of “pegs” on which to hang project justification. A considerable number of project sponsors clearly felt that they had sufficient experience and expertise in filling in Structural Fund application forms that they had no need to consult detailed guidance documents. There were few unprompted references to guidance on the cross-cutting themes.

Views on the relevance and utility of the proforma varied considerably. Less experienced applicants, particularly those from the voluntary sector, were generally positive, with the majority of other project sponsors accepting it as “a fact of life”. A minority, however, with strong representation amongst FE/HE institutions and some departments of local authorities, felt strongly that the proforma stage simply wasted valuable time and that there should be a “fast-track” approach for those experienced in filling in the full application forms directly. Amongst those who accepted the proforma, many felt that it was insufficiently clearly related to the full application forms, and believed it could usefully concentrate more on the overall project concept, with less detail required.

As far as the full application form was concerned, there were again some discernible contrasts between ERDF/EAGGF/FIFG and ESF, with the latter attracting most criticism. Full ESF applications were considered burdensome by most sponsors in that they invited repetition, encouraged applicants to make tenuous links between projects and strategy documents and ultimately made turgid reading – “you run out of words, so you cut and paste from one application to the next, its hard to make projects stand out”. It was suggested that much of the numeric information sought (for example, on anticipated prior qualifications levels of
beneficiaries) was meaningless and was often based on guess work. The level of detail required, it was argued, can put less experienced applicants off.

As researchers, too, we were struck by the difficulty often in gaining a clear idea of what the project was actually setting out to achieve from the full application forms, despite the extensive information required.

6.1.3 Evidence from the Process Evaluation

We specifically asked PMC members and advisers to comment upon the promotion of the Objective 1 programme. The majority of PMC members and advisers interviewed believed that there was generally good awareness of the Objective 1 programme in Wales and effective promotion of the funding and its uses, such that there was a high degree of awareness of the Programme throughout the programme area.

However, 11 PMC members and advisers interviewed (where n = 23), from all three “thirds”, drew attention to problems in the way the programme was initially “sold” to the private sector, with the perception being that businesses were mis-informed about both how the funding could be accessed and what it could be used for. Whilst most interviewees acknowledged that much progress had been made over the first three years of the programme to address this problem, there was a strong perception that this had had a negative impact on the way in which businesses in Wales viewed the Programme.

Seven PMC members interviewed felt that more could be done to develop a more positive image or brand for the programme and several suggested that, in many instances, the ultimate beneficiaries were not aware that funding received came from Objective 1. They indicated that this was important in both countering the often negative images and reports about the Programme evident in the Welsh media, and in tackling perceived barriers to accessing European funding. A representative view was: “Public perception of the programme is extremely poor and good news stories should be used to raise the profile of what the Programme can achieve”. Several interviewees highlighted examples of good practice in local promotion activities, the lessons from which they suggested ought to be spread more widely.

This finding was supported by our interviews with members of local partnership boards. These interviews suggested that there was some difference in the extent of local promotion of the programme and awareness raising activities between partnerships. Members of the North Wales partnership indicated that it had not been very proactive in promoting the programme, whereas in one of the Valleys’ partnerships, the Secretariat was seen as playing an important role in encouraging project development and had promoted the programme locally, providing training in filling in applications. Interviews with the Secretariat of this Partnership suggested, however, that they were concerned about the relative slowness with which this effort was being rewarded by tangible applications to the partnership. As a result, “we are finding that one to one support via the local voluntary sector umbrella organisation is much more effective”, a conclusion echoed by the voluntary sector representatives interviewed.

In terms of project genesis and development processes, the evidence from the process evaluation suggested that the quality and strategic nature of project support and development activity undertaken varied considerably across sectors, organisations and partnerships.

In general, however, partnership board members responding to the survey appeared to feel that their partnerships had not been pro-active enough in encouraging projects to come forward. A representative view of those who commented upon was: “Partnerships should have the authority
to commission projects or invite organisations to submit specific projects which relate to the local strategy. Waiting for organisations to submit applications is, to me, a totally reactive approach to Objective 1’. (It is worth noting here, that partnerships are explicitly tasked with taking this sort of approach in the Partnership Guidance, a fact which many board members appeared unaware of).

Similar views were obtained from the detailed partnership interviews undertaken across five Objective 1 partnerships. In other words, their activities in terms of project development overwhelmingly focussed upon helping to work up nascent project ideas and the ideas presented by project applicants, rather than acting as a catalyst for new project ideas. All interviewees from the regional partnership (without exception) stated that very little active work had been undertaken by the partnership on promoting the programme or being pro-active in encouraging project development. One private sector representative stated “not enough effort has gone into proactive project development – we are really disappointed by this and think that is means that the Objective 1 programme will underperform”. In part, however, this was because there had not been a need for proactive project development in this area, since in the Measures covered by the Partnership there had been no shortage of applications in this system and, indeed, for a time, key programme Measures had been on hold and/or capped.

In all the five partnerships where we conducted interviews project development activity was almost entirely undertaken by partnership secretariats. In three of the local partnerships, this approach was viewed as having the advantage of removing or reducing the need to reject project applications, while several interviewees pointed out that, as volunteers, members of partnership boards could not be expected to fulfil this role. The majority of interviewees across all partnerships believed that their partnerships needed to be much more proactive in project development in the second half of the programme.

In a similar vein, 11 PMC members and advisers (drawn principally from the voluntary and private sectors) believed that more support needed to be provided to potential applicants with no prior experience of applying for European funding and for smaller project applications. Four of these suggested that one way of tackling this would be to encourage using those individuals and organisations with relevant experience to mentor those new to the application process. As one interviewee explained, “if you haven’t got a very clear project idea and you’re not sure if it’s eligible, then the support is really poor. More needs to be done to capture those projects that are seeds of an idea”

We specifically asked PMC members and advisers to comment upon the performance of the Private Sector Unit. Of those interviewed, only nine said they felt they were in a position to comment, these people being drawn equally from the private and statutory sectors. The majority of those who commented felt that the Unit was performing well, but highlighted specific problems relating to a lack of resources, the slowness in setting up the Unit, and the heavy reliance on certain key personnel. One individual took a more negative view and suggested that the Unit and its facilitators were not effectively helping businesses to fill in application forms, but were instead signposting them to other sources of advice.

11 of the PMC members and advisers interviewed also suggested that more commissioning of projects was required in response to gaps across the Programme strategy, priorities and measures. All of those who commented on this indicated that this could only be achieved if more ‘quick and dirty’ data were made available to the different partnerships and lead bodies. One interviewee also suggested that more clarity was required on who was responsible for
commissioning projects, and in particular that local partnerships needed to know that they had the licence to do this.

Finally, six PMC members felt there was a strong need for more exchange of good practice in project ideas across partnerships, perhaps through the development of template projects showing what money can be used for.

A majority (71%) of survey respondents reported that partnerships had been given good advice by WEFO staff. However, there were variations between partnerships (Table 6.1) and a minority of respondents who wrote in comments were very critical of aspects of WEFO’s performance.

Table 6.1 ‘The partnership has not been given good advice by WEFO staff’

<table>
<thead>
<tr>
<th>Partnership</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglesey</td>
<td>2.09</td>
</tr>
<tr>
<td>Denbighshire</td>
<td>2.14</td>
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<tr>
<td>Infrastructure</td>
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<td>Caerphilly</td>
<td>2.38</td>
</tr>
<tr>
<td>IS</td>
<td>2.38</td>
</tr>
<tr>
<td>Agri - Food</td>
<td>2.44</td>
</tr>
<tr>
<td>FCCM</td>
<td>2.44</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>2.50</td>
</tr>
<tr>
<td>NPT</td>
<td>2.67</td>
</tr>
<tr>
<td>Bridgend</td>
<td>2.71</td>
</tr>
<tr>
<td>Tourism</td>
<td>2.71</td>
</tr>
<tr>
<td>Swansea</td>
<td>2.73</td>
</tr>
<tr>
<td>Business Support</td>
<td>2.79</td>
</tr>
<tr>
<td>Blaenau Gwent</td>
<td>2.80</td>
</tr>
<tr>
<td>Gwynedd</td>
<td>2.80</td>
</tr>
<tr>
<td>Ceredigion</td>
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<tr>
<td>Conwy</td>
<td>3.00</td>
</tr>
<tr>
<td>HRD (Obj 1)</td>
<td>3.22</td>
</tr>
<tr>
<td>Merthyr Tydfil</td>
<td>3.29</td>
</tr>
<tr>
<td>Pembrokeshire</td>
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</tr>
<tr>
<td>RCT</td>
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<tr>
<td>Torfaen</td>
<td>3.33</td>
</tr>
<tr>
<td>IRD</td>
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</tr>
<tr>
<td>Community Regeneration</td>
<td>3.67</td>
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<tr>
<td>Carmarthenshire</td>
<td>3.69</td>
</tr>
<tr>
<td>Overall</td>
<td>2.86</td>
</tr>
</tbody>
</table>

Source: Survey of local and regional partnerships

N=249. Mean scores on a 5 point Lickert scale 1= ‘Strongly disagree’, 5= ‘Strongly agree’

Our sessions with the Strategy Partnership members confirmed the view that, in the overwhelming majority of cases, the “initiative” for developing projects was that of the project
sponsor, with one group agreeing unanimously that “not me” was the usual answer to the question of who was responsible for developing new project ideas. Some exceptions were, however, noted:

- Key funds both at local and regional level were seen as mechanisms which could not only ease the access to funds for smaller projects, but also stimulate greater proactivity – although it was noted that these required a high degree of commitment from the project sponsor. The Social Risk Capital project led by the WCVA was cited in this context.

- In some measures where spending had been low – notably Priority 2, Measure 1 (ICT infrastructure) and Priority 6, Measure 1 (Transport) - WEFO and the relevant Welsh Assembly Government department were seen to have worked closely together to stimulate project development.

- The Rural Assets Strategy Partnership (RASP) had taken the initiative to hold a number of workshops to stimulate project development in those local partnerships areas where measures in Priority 5 were being under-utilised, drawing on examples from other partnerships where resources were more fully utilised.

6.2 Project Appraisal and Selection Processes

6.2.1 Evidence from our Desk Based Analysis

As part of our desk-based analysis, we examined both the guidance to partnerships and the guidelines for WEFO desk officers for project appraisal. In the case of the former, we felt that the guidance was clear as to the role of the partnerships in the appraisal and selection of projects, stressing that the involvement of local and regional partnerships was essentially connected to the “fit” of the project with the relevant partnerships’ strategy.

In the case of the latter – which, although in draft, is, we understand, already being used by desk officers for project appraisal - we felt that this was an extremely impressive document which compares very well with the approach adopted in other Programme areas. This clearly represents significant progress since the report of the Auditor-General, which highlighted concerns with regard to project appraisal. It is, of course, of critical importance that this is put into full use as quickly as possible for all funds.

6.2.2 Evidence from the Project Sample

Project sponsors were almost unanimous in their view that the appraisal and selection process was too long, and the evidence from our examination of the project files tended to bear out the common view that the overall process was likely to take between six and nine months. For example

- In the case of our sample of Priority 5 projects, only one project was processed by WEFO within the 90 day target, while the average for the 16 projects was around five months from submission to WEFO to approval, with an additional two months before that between the submission of the proforma and the submission of the full application.

- In the case of Priority 4 projects, the average time-lag between the submission of the proforma and the final approval from WEFO was likewise around seven months: this was considered unacceptable by every sponsor.
Several projects had taken well over a year to move from submission of the proforma to final approval: in one case, this process took more than 18 months.

Although some of the most extreme examples of delays were in projects submitted under the “fast-track” or September 2000 rounds, we found little evidence that average turn-round times had improved substantially. Indeed, although the increase in the numbers and experience of WEFO staff has done much to streamline process within WEFO, the increasing formality of appraisal processes – at least in the case of ERDF/EAGGF - has offset this. Whereas in the “fast-track” round even quite large projects seem to have been appraised fairly cursorily, projects submitted today are subject to routine referral to relevant policy divisions and other sources of expertise such as the Estates Division. At the partnership level, also, processes have tended to formalise: one local partnership has recently introduced a nine-week cycle, with fixed deadlines for proforma submission: taken with WEFO’s 90 day target, this means that the minimum time between proforma submission and final approval will be over five months.

Another source of frustration for project sponsors was what was perceived as the tendency of WEFO, in particular, to send several separate sets of questions or queries to projects, rather than one consolidated response. This was particularly resented when, having answered one set of questions, a second letter would not only ask for further clarification of these responses, but also raise issues which had not been questioned on the first occasion. Again, from studying the application files, this would indeed seem to be frequently the case. The reasons for this varied:

- In some instances, they reflected the fact that the desk officer had sought advice which had resulted in additional questions, and had wanted to allow the applicant to get on with work on the more obvious questions
- In the case of ESF prior to 2001, they often resulted from the separation of the appraisal (scoring) and validation (eligibility) checks
- In some cases, they resulted from late questions received from partnerships who had been consulted on the project.

Sponsors of specialist projects – for example, in the fields of renewable energy, environmental infrastructure, fisheries or research and development - were frequently frustrated at what they regarded as the lack of technical expertise on the part of WEFO to appraise their projects. Likewise, those submitting “continuation” projects or who were “routine” applicants were frustrated at being consistently asked for information which had already been provided in connection with earlier projects.

We found few examples where, even when there was protracted correspondence between WEFO and the project applicant, there was any attempt to hold a face-to-face meeting to resolve outstanding issues, although many project applicants felt that this would have been desirable. A number of ERDF and EAGGF desk officers told us that they were beginning to take this approach, either where it was specifically requested by the applicant, or where there seemed to be particularly difficult issues: this was, however, left to individual discretion.

In terms of the thoroughness of the appraisal process itself, there is a contrast between ERDF/EAGGF and FIFG on the one hand and ESF on the other. In the former case, there has been a significant change over time, as noted above, with desk officers now tending to consult a range of professional advice, both within WEFO and in the wider Welsh Assembly Government. While some project sponsors are critical of this – for example, the fact that WEFO will consult a Quantity Surveyor to judge whether project costs for a capital project are
reasonable, even when the applicant is a public body with its own professional expertise – these seem to us important safeguards in terms both of value for money and integration with national policy and strategy.

Despite this, we identified a number of problems with the appraisal of ERDF/EAGGF projects. These included:

- A number of cases where the applicant organisation was consulted as the policy lead by WEFO, particularly in more specialist fields such as forestry.
- Some cases where the use of economic appraisal has been limited, including a case of a fisheries project where it was decided not to proceed with an in-depth appraisal despite the advice of Economic Advisors that the project represented poor value for money and a fuller appraisal would be justified. The cost per job for the two fisheries projects we examined also appeared extremely high.
- A tendency to ask questions of applicants where the substance of the reply received seemed to matter less than the fact a reply had been received. WEFO’s view on this is that ultimately the applicant has to take the risk if information provided is subsequently shown to be defective and the project cannot be delivered.

By contrast, we found little evidence within our project sample that the ESF team had sought any outside advice on project applications. This partly reflects the view that the case officers have sufficient expertise and a good knowledge of appropriate strategies which should be referenced and partly the heavy case-load which the ESF team have to cope with: the ratio of applications to staff appears to be far higher for this team than for other parts of WEFO. We did, however, find numerous examples where fairly obvious discontinuities in applications had not been questioned or queried, even though a range of issues had been raised with the applicant. For example:

- A project which promised that 100% of beneficiaries would benefit from training at NVQ level 1, at NVQ level 2, at NVQ level 3, at NVQ level 4 and at NVQ level 5, even though the average “beneficiary hours” were 20 hours;
- A project which was not specifically targeted at individuals with disability where the applicant claimed that 95% of the 3,500 beneficiaries would be disabled (presumably having transposed the relevant figures);
- A project where a mistake in Section 5 of the application form meant that the offer letter only included half of the number of beneficiaries promised in the application form.

It was particularly striking that the numeric information (not used for scoring applications) did not seem to be consistently cross-checked with the written responses to questions elsewhere in the application, although this is required by the appraisal guidance.

In terms of the role of the partnerships, the majority of project sponsors accepted the role of the local and regional partnerships as a necessary part of the process, but several shared the view of one that the processes “don’t add value, just delay”. A minority of project applicants felt that local partnerships could not be relied on to provide a transparent and fair appraisal – this view seemed particularly prevalent in the context of education and training where there was a perception that ‘any college will tend to speak out against any private sector training project’ and there were suggestions that potential subcontracting opportunities might play a part in some of the comments and views expressed. Perhaps unsurprisingly, projects which had failed to get
past the proforma stage were more likely to accuse vested interests within partnerships of blocking their projects. Other project sponsors felt that local partnerships lacked expertise in more specialist areas, for example transport infrastructure.

Project sponsors understanding of the appraisal process was very varied: unsurprisingly, those involved themselves in partnerships were more likely to both understand the process and to believe it was transparent, than those with no direct involvement in implementation. However, the overwhelming majority of project sponsors believed that the process was generally fair.

6.2.3 Evidence from the Process Evaluation

The partnership survey and the interviews we conducted with PMC members and individual partnership board members provided an insight into their perspectives on the project appraisal and selection processes. PMC members focused their comments on the transparency and efficiency of the whole process. Whilst the majority of those interviewed believed that the process was transparent and rigorous, 12 interviewees (drawn equally from the three sectors where n = 23) suggested that the process was quite mechanistic and bureaucratic. More specifically several members commented adversely upon the length of time that the process took, while three suggested that there was a need to look for ways to avoid asking for ‘unnecessary information’ on the application forms, such as the financial status of long-established organisations.

Respondents to the partnership survey were generally relatively positive about their own role in the project selection and appraisal process:

- only 22% believed that their partnership had led to delays in the appraisal of projects;
- more than 56% believed that the working arrangements of their partnerships were as “smooth and effective as they can be”;
- Only 19% believed that the partnership spent too much time considering project proformas; and
- Only 9% believed they had spent too much time consulting other partnerships and only 16% that they had spent too much time being consulted by other partnerships.

At the same time, a number of those survey respondents commenting on the questionnaire expressed frustration at what was perceived as the fact that ‘the views and feedback of local partnerships is not always considered’ by those making decisions regarding project applications while others complained about delays and what was perceived to be the bureaucracy associated with the programme. There was a widespread view that the application process was too burdensome and had deterred potential applicants – particularly from the community and business sectors. Several survey respondents argued for a fast track process for small projects which would reduce the bureaucratic burden placed on them.

Despite these concerns, just over half (56%) of all respondents believed that their partnership had been able to exert a real influence over the projects funded. Views varied significantly between partnerships (Table 6.2). There was little variation in the views of partners from different sectors.

Table 6.2 ‘The partnership has had real influence over the choice of projects that are funded’

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<tr>
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</table>

CRG 99
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<th>Project Area</th>
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<tbody>
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<td>3.20</td>
</tr>
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<td>3.14</td>
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<td>3.00</td>
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</tr>
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<td>2.92</td>
</tr>
<tr>
<td>Merthyr Tydfil</td>
<td>2.14</td>
</tr>
<tr>
<td>Overall</td>
<td>3.43</td>
</tr>
</tbody>
</table>

Source: Survey of local and regional partnerships

N=249. Mean scores on a 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’

In interviews conducted across our five chosen partnerships, some clear differences emerged in terms of the project appraisal and selection processes. Members of the regional partnership did not attempt to score projects, but rather made an assessment based upon the likely impact and outputs of the project.

Several interviewees indicated that it would be helpful in some cases if the applicant could give a brief presentation to the partnership board on the project and what it was intended to achieve. This was a view echoed within local partnerships. Interviewees from the regional partnership also indicated that decisions were usually based upon a consensus and were made in part by looking strategically at where there were gaps in programme activity. Observation suggested that the quest for consensus might lead to delays, with repeated requests for further information/clarification, although the Chair was adamant that new issues were not introduced once a proforma returned for a second time to the Partnership. A significant emphasis was placed on scrutinising project pro-formas referred for consultation from local partnerships, which were treated as seriously as pro-formas on which the partnership was itself leading.

Three out of the four local partnerships where we undertook interviews indicated that they used scoring systems to appraise and select projects. In these cases, the scoring of projects was undertaken by sub-groups or in one case by the technical group within the Secretariat.
all these partnerships, interviewees indicated that recommendations made by the various sub-groups were rarely opposed by the partnerships boards. In two of the local partnerships, interviewees indicated that the relevant sub-groups spent a lot of time looking at projects from other partnerships and giving comments. These interviewees felt that there was inadequate feedback on their comments, particularly when they were relevant to a direct impact on the local area. In a third local partnership, most partnership board members felt that the appraisal system worked reasonably well but that at times the sub-groups lacked expertise in certain sectors e.g. fisheries.

In the final local partnership, processes were more similar to the regional partnership: project applications were assessed by the full Partnership Board rather than by an assessment panel, and were based upon discussions rather than any pre-determined scoring criteria. In advance of Partnership meetings, Board members received copies of pro-forma applications together with summaries prepared by the Secretariat. The Secretariat was keen to point out that they did not seek to “guide” the Board’s decision making. It was clear from observation, however, that the Secretariat did exert considerable influence over the Partnership, not only through the papers produced, but also through active involvement in the debate. Some members felt that their decision making would be more transparent and defensible if the Board had clear criteria against which to make such judgements.

In all the local partnerships, one or more members stressed the importance of ensuring training for new members in project appraisal and other areas was available.

All of the Objective 1 partnerships we looked at had recently reviewed their strategy documents (formerly action plans) or were in the process of doing so. Across all partnerships, this was deemed desirable in order to respond to changing conditions and the relevant policy context.

However, our interviews revealed differences of opinion both between and within partnerships as to the utility of relevant strategies. Only three interviewees from the regional partnership commented upon this specifically, one of whom said that the partnerships’ strategy document was useful, whilst the other two felt it was more useful as a guide for applicants than as an aide to project selection. The majority of members of both the Central Valleys partnership and the North Wales partnership indicated that their local strategies were seen as useful documents in the project assessment process. The majority of members of the Western Valleys partnership also expressed similar views, although a minority indicated that the local action plan was overly broad and lacked focus. This was felt to be a product of the breadth of the SPD itself and the need for the local action plans to include everything. Similar concerns were also raised amongst members of the West Wales partnership. Here, the majority of partnership board members interviewed indicated that the local strategy was a useful document, with three members highlighting that it was more relevant to local needs and circumstances than the SPD or Programme Complement. Three interviewees suggested, however, that it was not the most important tool against which to assess projects, with two stressing that the interests and expertise of the individuals and organisations represented on the partnership board were more influential in the project appraisal process.

One important aspect to emerge from the partnership case-studies concerned the issue of “failed” projects. All five partnerships we interviewed saw their role as principally to nurture projects which came forward and which were eligible, rather than to “judge” them, although a separation was made between the two roles, with the Secretariat seen as the key resource for project “development”, and the partnership members more clearly focused on scrutinising projects. As a consequence, three of the four local partnerships claimed not to have any substantial data on “failed” projects, with the regional partnership in our sample only being able
to point to four such projects (interestingly, many of the members of this partnership said that they had rejected many projects – only to add that these were, of course, ones which had been submitted for consultation by other lead partnerships). This seems strange, particularly in the light of the WEFO data implying that 422 project submitted have been unsuccessful. A number of explanations might lie behind this:

- The fact that a significant proportion of the “failed” projects recorded on the WEFO database may relate to projects submitted before partnerships were fully operational.
- The fact that partnerships receive little information from WEFO about the “fate” of projects which they have endorsed and that partnerships role in monitoring is so unclear (see Section 6.3)
- The fact that potential projects which are deemed likely to be ineligible are often deterred/signposted elsewhere, even before getting to proforma application stage. While this in many ways may be sensible, in order to avoid wasted effort, it might lead to concerns that secretariats are playing a “gatekeeper” role.

A further aspect of this is that there is a risk that projects are not rejected, but rather are subjected to a protracted series of requests for further information/work from partnerships until they lose heart. There certainly appeared to be evidence for this from several of our failed projects.

Our sessions with Strategy Partnership members also highlighted a number of issues around the selection and appraisal of projects notably:

- A general view that WEFO ultimately took the decisions, and that the views of Strategy Partnerships could be set on one side: this was felt most strongly by members of the Rural Assets Strategy Partnership, and least strongly by members of the Human Resources Assets Strategy Partnership. This was related to a perception that there was a considerable imbalance between WEFO and the Secretariats on the one hand, and the members on the other, in terms of the capacity to absorb the detail of project applications.
- A recognition that, in contributing to project selection, the Strategy Partnerships were still relatively “unstrategic”, focused on the merits of each individual project rather than the broader question of how the project compared and complemented with others: several members commented that it was only when money became short that strategy came into play. Reasons for this were felt to be the lack of comprehensible monitoring information, which would enable gaps to be identified (see 6.3 below), the fact that projects were submitted on the basis of a “rolling programme” which meant comparisons between projects were difficult to make (although few people favoured reverting to less frequent bidding rounds) and the fact that strategies at all levels, from the Programme Complement down, were very broad.
- A view that the Strategy Partnerships functioned very differently in terms of their approach to project appraisal, with the Business Assets Strategy Partnership perceived as being the most likely to make subjective decisions: this was linked by some to the breadth of policy areas covered and by others to issues to do with personalities.
- An echo of the view from local and regional partnerships that comments by partnerships who had been consulted were not always given weight by WEFO and the Strategy Partnerships. Some members felt that the tendency of some partnerships to
make ill-informed or “standard” negative responses undermined the credibility of the consultation comments.

- A view that the “big picture” in terms of the potential impact of projects on jobs and GDP was often lost.

6.3 Project Implementation, Monitoring, Evaluation and Audit

6.3.1 Evidence from our Desk-Based Research

In terms of project monitoring, systems are in place to generate quarterly (or in some cases, for ESF projects, monthly or six-monthly) monitoring returns detailing progress against financial profile. Additionally, since the autumn of 2002, projects have been asked to return more detailed quarterly monitoring returns, which are fully consistent with the targets set in the revised Programme Complement.

In terms of audit, the close-down of the 1994-99 Structural Fund Programmes placed considerable demands on WEFO’s audit team. It is only in the last few months that WEFO have begun to undertake the sample audit visits to 5% of projects which are required by European regulations.

6.3.2 Evidence from the Project Sample

In many ways, this was the area of the Programme processes where we found most cause for some concern. The most striking issue to emerge from the project sample was the lack of any substantial contact with the projects, once they had received final approval.

From the point of view of individual projects, the overwhelming majority had had no contact with the partnership secretariats since their proforma had been approved. The main exception to this was the Agri-Food Partnership which had maintained close contact with the large projects which account for a significant part of its strategy. In a small number of cases, local partnerships were beginning to develop routine contact with projects or to request monitoring information: One partnership routinely offered successful applicants two days project management training.

From the point of view of the partnership secretariats, the lack of contact with projects was systemic, in that they believed that WEFO was unwilling for them to take on this function: there was also a concern that projects should not be deluged with requests for information. Secretariats also complained that they were not routinely informed of which projects had been approved by WEFO and that project-level monitoring information from WEFO was only now becoming available.

Contact between WEFO and projects was also, for the most part, limited to formal monitoring returns, with formal responsibility for the project passing from the desk officer to the Payments Team at project approval. There was virtually no face-to-face contact between WEFO and individual projects, with the exception of the largest projects: in this context it is worth noting
the Auditor-General’s observation that “WEFO’s equivalents in Cornwall and Merseyside carry out visits to every ERDF project they sponsor”.

While the required monitoring returns were seen by many - particularly smaller organisations - as very onerous, particularly since the introduction of supplementary monitoring forms in the autumn of last year – many projects also felt that opportunities were being lost to learn from their experience and were clearly frustrated that the information requested was almost entirely formulaic and did not allow them to explain what the project was actually achieving.

Many projects expressed frustration with the difficulty in making contact with the Payments team in WEFO, where staff turnover was perceived as very high (a fact confirmed by WEFO staff, although we understand that the situation has improved considerably over recent months) and found claims forms difficult to understand and to complete correctly. From our examination of the files, it appeared that projects who returned their claims forms were likely to be subjected to a series of questions and queries (which were often seen as baffling by the project sponsor) while, in many cases, projects which failed to return regular claims were not rigorously pursued. In one case, an ESF project approved in principle in October 2000 only finally received its first advance claim in January 2003, six months after it should have ended (although in the meantime it had been granted an extension): while this is an extreme case, it was not unique. A particular source of problems and irritations for ESF projects were Public Match Funding Certificates, and in particular the requirement to provide Certificates authenticated by an official stamp.

In terms of internal project management, the majority of projects were managed internally by the sponsor organisations: very few projects showed evidence of having a steering group involving a range of partners, even in a number of cases, where these had been described as part of the application process. An exception was in Priority 5, where two of the 16 projects had broad-based steering groups which met monthly.

Almost all the projects in our sample had proved to be over-optimistic in terms of the timescales for implementation: in Priority 4, for example, 13 of the 14 projects had had to request some form of significant change during their implementation. These changes tended to arise because:

- Project costs were over estimated at application, often to provide the sponsor with a cushion;
- Project sponsors ‘over-promised’ at the application stage, especially in terms of more innovative, developmental activities;
- Start and/or finish dates were put back, often associated with the time taken to recruit project staff;
- There was a loss of continuity and ‘buy-in’ to the original vision where project staff had not been involved in developing the project application: several projects seemed heavily reliant upon a few key people.

Projects – particularly ESF projects – were deeply concerned about the extent of beneficiary data which they were required to collect and keep, and commented on what the perceived as changing guidance and rules on this. Despite the fact that the standard ESF guidance pack contains templates for most beneficiary forms, many project sponsors had developed their own

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forms, and in some cases their own databases which would seem a rather wasteful duplication of effort.

For smaller projects, the administrative overhead was said to be, and appeared to be, high – a number of project sponsors estimated that this could be more than 50% of the grant, allowing for elements (such as project application and project closure reports) which could not be claimed.

Very few projects had any plans for external evaluation (for example, only one project out of 12 in Priority 2, though others were said to have plans in hand; two out of 14 projects in Priority 4) and internal evaluation was generally limited to collection of satisfaction questionnaires. Projects generally seemed unaware of any formal requirements in respect of evaluation, though those which were seeking continuation funding for their projects were beginning to focus on the need for data. A number of projects flagged up the specific problem that, with project closure reports required three months after the ending of projects, it was impossible for projects to commission ex post evaluation or to track beneficiaries six months after the end of the project within the funding of the project.

Finally, the vast majority of projects were aware of audit requirements (indeed, many were clearly anxious on this account) and had appropriate internal and external audit arrangements in place.

6.3.3 Evidence from the Process Evaluation

Interviews with PMC members and partnership board members suggested that there was a strong feeling that the Programme to date had been characterised by limited monitoring and evaluation activity, particularly amongst the partnerships. This was perceived to be a problem because it both limited the degree to which project development and selection processes could be undertaken on a strategic basis, and because it restricted the understanding of the impact of projects. A representative view from the PMC was: “we simply don’t know enough about what approved projects are doing or achieving”.

Many interviewees suggested that the relative slowness with which monitoring data was being made available at all levels was to blame (although some acknowledge that the situation was improving). For example, this was a view expressed by around half of PMC interviews (11 out of 23), as well as by a majority of interviewees across all five partnerships. Two PMC members suggested that more help and mentoring should be provided for successful applicants to help them with the audit requirements that accompanied Objective 1 funding and one stressed that “project support shouldn’t stop at the application stage” and “the capture of projects’ experience is not good”.

Some similar concerns were evident from the Partnership survey:

- Only 29% of respondents believed that the Partnership had been able to monitor the implementation of their strategy effectively;
- Only 28% believed that the partnership had the information it needed to monitor spend;
- 59% agreed with the view that partnerships lacked the data they needed to monitor outcomes effectively;
- A bare majority (52%) believed that the partnerships had a good understanding of what Objective 1 was achieving in their area of responsibility. One respondent believed that:
'The problems WEFO have had in providing any useful monitoring information have significantly hampered partnerships in understanding what Objective 1 is delivering in their areas/themes’;

- Three quarters (74%) believed that partnerships should have a clear role in project level monitoring and more than half (54%) that they should have a role in supporting projects after they had been approved.

This last view was also expressed strongly by interviewees within our sample partnerships. Indeed, interviewees from all sectors across all five partnerships raised this as an issue. In the case of the regional partnership we sampled, several interviewees indicated that there was a lack of clarity about where responsibility for monitoring and evaluation lay, particularly between the regional and strategy partnerships.

Across three of the four local partnerships we sampled, very little monitoring and evaluation activity was undertaken: in the fourth, the secretariat requested, analysed and presented monitoring information on projects and held their own database. In the other local partnerships, interviewees indicated that they felt effective monitoring, evaluation and auditing at local level had been hampered by limited data. Where data was available, some interviewees also suggested that it contained some inaccuracies and omissions, particularly relating to the activity of regional projects in local areas. This created a lot of frustration amongst local partnership board members.

Our meetings with Strategy Partnership members also confirmed the salience of issues concerned with monitoring and evaluation. In particular members noted that

- The involvement of local and regional partnerships with monitoring and evaluation was patchy and that there was an ambiguity in WEFO’s view on the appropriateness of partnerships’ involving themselves in this.

- There was relatively little “after-care” of projects and that this needed to be clearly separated from the audit or monitoring function. Some partnerships were keen to increase their contact with projects after approval, but did not want to take on a “policing” function

- There was a real lack of information on what projects were really achieving: what was needed in terms of monitoring was not more quantitative data but qualitative information on what projects were achieving.

- The “media magnifying glass” under which Objective 1 was placed did not encourage the sharing of bad, as well as good, practice, but this was really needed.

6.4 The Role of Partnerships

6.4.1 Evidence from our Desk Analysis

Comprehensive guidance on the role of partnerships was published by WEFO in July 2002, superseding previous draft guidance. This, in our view, is clear and comprehensive. In line with many of the comments outlined in Section 6.3 above, however, the one potential area of ambiguity is with regard to monitoring and evaluation. Here, local and regional partnerships are specifically charged with keeping strategies under review and with monitoring the overall progress of the Programme in their field of responsibility, but this is placed firmly in the context
of data to be provided by WEFO. It is not entirely clear whether partnerships are expected to maintain any direct contact with the project after approval.

6.4.2 Evidence from our Process Evaluation

We asked PMC members and advisors to comment upon the role and performance of the different partnerships involved in delivering the Objective 1 programme in Wales, starting at the top with the PMC itself. Of those interviewed (i.e. \( n = 23 \)):

- Seven suggested that the PMC was working well with several people noting that the Committee benefited from the involvement of a large number of committed enthusiastic people, who were keen to influence and shape the programme.
- Several commented that WEFO had done much to help ease workload issues e.g. by colour-coding papers, and suggested that the meetings were effectively chaired. Data was also beginning to permeate through to the PMC which was beginning to help them fulfil their monitoring function more effectively.
- Three interviewees suggested that discussions at PMC meetings could, however, sometimes be dominated by a small number of very vocal individuals who could take up time presenting prepared position papers.
- Four interviewees believed that PMC meetings needed to be organised in venues that facilitated a more co-operative rather than confrontational format. More specifically, meetings in Council Chambers where WEFO representatives sit opposite PMC members were not perceived as helping to foster co-operative discussion and dialogue – “it tends to create a them and us atmosphere”.
- Six PMC members and advisors interviewed suggested that the impact of the PMC was, however, fairly limited. The PMC was thus perceived by some of its members as being reactive and passive and simply ‘rubber-stamping’ rather than driving forward the process.

When asked to comment about the role of strategy, regional and local partnerships, the majority of PMC members and advisors interviewed indicated that they were not in a position to comment upon this. This partly reflected their lack of involvement with many of the partnerships on a day-to-day basis. Those that did comment were generally those who were members of other partnerships. In terms of the views expressed:

- 10 interviewees suggested that they felt there was some remaining confusion as regards the roles and responsibilities of the different partnerships. Six of these suggested that in part, this reflected the relative slowness with which guidance for partnerships emerged. Four individuals also cited the delays in setting up some regional partnerships and the late development of strategy partnerships.
- Confusion between local and regional partnerships seemed to be most commonplace, with eight PMC members highlighting concerns here. These concerns primarily related to the difficulties local partnerships were said to have in assessing the impact of regional projects on their localities, or to applications which were dealt with through several partnerships.
- Almost half the PMC members and advisors interviewed (10 in total) raised questions about who was checking whether local partnerships were effectively considering how projects ‘fitted’ with their local strategies. Several interviewees suggested that local partnerships were tending to concentrate on addressing eligibility issues rather than examining impacts or outcomes, and the match funding sources being used.
• Five interviewees questioned whether the mechanisms were in place to ensure that the right people sat on local partnerships. Several indicated that larger organisations were better equipped to send people to meetings, whilst others questioned whether the three-thirds principle ensured that people were chosen with the right skills to judge projects. Three of the social partner representatives also indicated that it was the business community which had most difficulty in attending meetings and reading papers in time, while one pointed to the discrepancy in travel allowances for partnership members compared to those for civil servants and local authority staff.

• Finally, six PMC members we interviewed commented upon the limited degree of collaboration that was evident between local partnerships, particularly in south Wales and the Valleys. It was felt that this was to the detriment of the Programme as more collaboration would help encourage larger, more innovative projects.

Overall, respondents to the partnership survey believed that the membership of their own partnership was appropriate.

• 71% believed that partners had brought complementary skills to partnership and 70% reported that partnerships had the right mix of skills and knowledge;
• 69% believed partnerships were inclusive and partners had worked well together;
• 66% reported that partners had a common understanding of the role of partnerships;
• 61% believed that the organisations represented on the partnership(s) in which they participated were the right ones; and
• 66% believed that organisations were represented at the right level.

Only just over a quarter (27%) of survey respondents believed that partners had tended to focus on their own agendas and objectives rather than shared aims and priorities.

Few survey respondents believed that decision making had been dominated by a small number of organisations, though this was a concern in a some partnerships (Table 6.3), and there was more disquiet about this issue among respondents from the private and voluntary/community sectors than those from local government (Table 6.4).
Table 6.3 ‘The partnership has been too dominated by a small number of organisations that have made the key decisions’

<table>
<thead>
<tr>
<th>Partnership</th>
<th>Mean</th>
</tr>
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<tr>
<td>IRD</td>
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<tr>
<td>Community Regeneration</td>
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<td>Infrastructure</td>
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<td>Overall</td>
<td>2.62</td>
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Source: Survey of local and regional partnerships
N=249. Mean scores on 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’

Table 6.4 ‘The partnership has been too dominated by a small number of organisations that have made the key decisions’

<table>
<thead>
<tr>
<th>Sector</th>
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<td>Overall</td>
<td>2.63</td>
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Source: Survey of local and regional partnerships
N=249. Mean scores on a 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’
Partners were perceived by survey respondents as having a fairly high degree of common understanding of the role of partnerships although again there were variations between different areas (Table 6.5).

**Table 6.5 ‘Partners share a common understanding of the role of the partnership’**

<table>
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<tr>
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<td>RCT</td>
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<td>Overall</td>
<td>3.70</td>
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</table>

Source: Survey of local and regional partnerships

N=250. Mean scores on 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’

Some survey respondents believed that there had been too much emphasis on representation of all of the stakeholders. Of these, a representative comment from a partner from the voluntary sector was: ‘Weaknesses in the thirds system of partnership is built in - they were established with an emphasis on CONSULTATION rather than ACTION, on INCLUSIVITY rather than EXPERTISE’. (emphasis in original)

Another important concern voiced by survey respondents was that, despite the emphasis on representation, there was little “reporting back” by members. Less than a third (just 28%) believed that those who attended partnership meetings had been good at representing and reporting back to their organisations.
Many survey respondents highlighted the fact that it was more difficult for voluntary and private sector partners to play a full role in the partnership than for the statutory sector. A typical comment was that the ‘time-commitment precludes some voluntary and private sector organisations and groups from taking a full role in partnership activity’, while another comment was that ‘it is very difficult for SME’s to connect with the decision making process due to the mind numbing bureaucracy and time demands that surrounds it.’

Moreover, many of the survey respondents who were most positive about the partnership working generated by the programme believed that this had sometimes been achieved in spite of, rather than because of the structures and procedures that they saw as having been imposed upon them. As one put it: ‘Partnership working has been the strength of the Objective 1 programme to date although the whole partnership structure has become cumbersome and is contributing to delays in securing project approvals’.

Most survey respondents were broadly satisfied with the way in which partnerships had conducted their business.

- Only a fifth believed that partnership meetings lasted too long;
- More than half (56%) reported that partnerships’ working arrangements were as simple and effective as they could be;
- Only 19% believed that partnerships had spent too much time considering project proformas; and
- Just 18% believed that most decisions were actually made outside of formal meetings; and
- Only 9% believed that they had spent too much time consulting other partnerships.

Almost two thirds of survey respondents believed that partnerships had been good at:

- Developing a clear strategy against which projects could be assessed;
- Keeping their strategy under review and adjusting it as appropriate;
- Supporting projects that were likely to achieve the desired outcomes of the Objective 1 programme;
- Providing advice to applicants; and
- Understanding the principles of sustainability, ICT and equal opportunities.

On the downside though:

- Only 52% believed that partnerships had a good understanding of what the structural funds were achieving for the locality or theme which they were involved in;
- Most believed that partnerships had not been sufficiently pro-active (just 38% reported that they had been good at identifying potential projects and encouraging project development);
- Just 37% of survey respondents believed that the partnerships they had been involved in had been good at working with other partnerships.

One respondent believed that ‘There are too many partnerships. There can be friction between the aims of the local partnerships and the regional partnerships’.

Across the five partnerships where we conducted interviews, similar views were evident.
All partnerships had managed to achieve three-thirds representation (including for sub-groups), although in practice it was clear that attendance at meetings varied considerably across the thirds. In the four local partnerships, it was attendance by private sector representatives that was particularly problematic, with voluntary sector attendance also causing some concern in some cases. In three out of the five partnerships the gender balance had also proved to be difficult to achieve. Interviewees (including often most forcefully women) across all partnerships and sectors indicated that having the right people around the table should be the more important concern than meeting strictly balanced representation requirements.

Most of the partnerships had developed terms of reference and protocols on ways of working (following WEFO guidance) and had clear procedures about managing conflicts of interest. Most also suggested that they felt the partnerships had developed good working relationships based on trust and mutual understanding. In one of the local partnerships this had taken some considerable time to develop and the voluntary sector remained somewhat suspicious of the independence and objectivity of the local authority on the partnership. In another partnership there was a very strong working relationship between the local authority and the local voluntary sector umbrella organisation, something which was undoubtedly helped by them both being housed in the same building. Interviewees in all partnerships indicated that ensuring regular attendance was an issue and that this could impact upon the effectiveness and sustainability of the partnership.

Interviewees across all partnerships also highlighted concerns about the degree to which members were indeed representative of their particular sectors and the degree to which they had formal mechanisms for feeding back on the work of the partnership. This was highly variable across partnerships and sectors, but seemed to be most advanced for voluntary sector groups which were most actively involved in relevant networks and fora, and least well developed for the private sector which was more diverse and difficult to organise. In four out of the five partnerships, concerns were raised about particular individuals and organisations who continued to act with some independent self or organisational interest in mind.

Our interviews with representatives across a sample of partnerships indicated that all shared some continuing confusion about how the partnerships related to one another. For the regional partnership concerns mainly related to their relationship with the Business Assets Strategy Partnership which appeared to lack clarity and trust. Some members of the partnership also indicated an awareness of difficulties in their relationships with local partnerships, one stressing that they were mindful that they are sometimes treading on the toes of local partnerships, whilst another highlighted the lack of clarity in thinking about the relationship between local and regional partnerships:

The relationship between regional and local partnerships was also clearly of concern to the local partnerships, as it was raised as an issue in interviews in three out of the four local partnerships where we conducted interviews. Local partnerships appeared to share a strong concern that their views were often not taken on board by regional partnerships, particularly in respect of projects that were likely to impact upon their locality.

In terms of the functioning of the local partnerships, interviewees across all four partnerships highlighted the critically important role played by the secretariats, which in all cases were provided by the local authority. In one of the local partnerships we examined, several of the partnership board members indicated that they did not feel that the secretariat was sufficiently impartial or independent. This had been the source of friction and mistrust in the Management Board. The voluntary sector, in particular, felt that the Secretariat was strongly influenced by the Local Authority and that this sometimes affected the manner in which it conducted Partnership business.
Across the other local partnerships, there was a more positive perception of the role of the secretariat and a strong feeling that the partnership board members were heavily dependent upon them to facilitate the process: “they find out more about projects – they’re good at that and can usually tell you what they [projects] are all about” and “we have to be guided – projects are debated, but we’re told by the Secretariat if there’s a problem”.

In all cases, there was some concern about the pressures that secretariats were under, the high turnover of staff and the consequences of heavy dependence upon the knowledge and skills of a few key European officers.

Finally, our session with Strategy Partnership Members confirmed the evidence of the survey commissioned by the Advisory Group on Implementation\(^{45}\) that there was a degree of confusion and frustration amongst members about their role. In the majority of cases, members did not report back to the organisations which had nominated them for membership – in some instances because there were no mechanisms to do so – yet the shape of the Partnerships was designed to ensure that they were “representative”. There appeared to be different levels of satisfaction with the way in which the Strategy Partnerships were operating, with the Business Assets Strategy Partnership singled out for criticism.

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**Overview of the Chapter**

- Most projects, particularly in Priorities 1 Expanding and Developing the SME Base) and 4 (Developing People), appear to come from individuals and organisations already having previous experience of applying for and utilising the Structural Funds and tend to reflect applicants’ own priorities and goals. There is more evidence in the case of Priorities 2 (Developing Innovation and the Knowledge-Based Economy) and 5 (Rural Development and the Sustainable Use of Natural Resources) of projects being developed in response to the Programme. There is a widespread recognition of a need for partnerships at all levels to be more pro-active in stimulating project ideas.

- Most project sponsors find the application and selection process arduous and over-long and the timescales for approving projects do seem too lengthy. While partnership members are generally positive about their own partnerships’ role in the process, they generally share the sense of frustration with the process as a whole. Applicants perceive the role of partnerships as more weighted to appraisal than project development and there is some evidence in practice of duplication between different partnerships in scrutinising applications and significant variation in the way partnerships interpret their role in considering proformas.

- WEFO’s procedures for project appraisal are generally thorough and appropriate (though with some differentiation between ERDF/EAGGF and ESF), but the failure to consolidate all questions on a submitted application into one response causes irritation on the part of sponsors.

- After very thorough initial scrutiny, projects usually have very limited contacts with either partnerships or WEFO (apart from providing routine claim/monitoring data). There would be a range of benefits from closer ‘aftercare’ contact – particularly with partnerships. Project-level evaluation activity has been limited so far, and should be given higher priority, particularly in relation to ‘learning from experience’ and identifying best practice.

- Partnership members are generally satisfied with the way in which their partnerships are operating.

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\(^{45}\) Paper to the PMC, 20 June
There remains some confusion within and between partnerships about their respective roles and responsibilities. Despite the fact that the constitution of partnerships on the “thirds” principle implies that partnerships are representative, there is a widespread view that partnership members do not have clear lines to report back to those they “represent”. Though most partnership members believe that membership is broadly appropriate, there are some concerns that those with appropriate expertise are not always able to participate.
7. THE CROSS-CUTTING THEMES

In this Chapter, we consider the integration of the Cross-Cutting Themes into the Programme at the level of Strategy (Section 7.1), Project development and appraisal (7.2) and Project implementation (7.3).

It is important to stress that in the course of the evaluation, it was apparent that there were considerable differences in the fundamental position of individuals – whether PMC members, project sponsors or members of local partnerships – on the Cross-Cutting Themes. At one extreme, those with particular expertise and experience of the themes often combined enthusiasm for the progress made with frustration at aspects of implementation, while for others, there was a degree of scepticism or weary acceptance of the extent to which the cross-cutting themes needed to addressed within the Programme. Reaching conclusions, given these extremes, is not always straightforward.

7.1 The Application of the Themes at the Level of the Strategy

7.1.1 Evidence from the Desk-Based Analysis

As noted in Chapter 2, the Objective 1 Programme has been held up as an exemplar by the European Commission for the way in which the Cross-Cutting Themes have been integrated into the Programme Strategy. The revision of the Programme Complement has taken this process still further, by integrating sections on the relevance of each of the themes on a Measure-by-Measure basis: this is very positive, since our evidence from the project sample suggests that it is the Programme Complement, and the Measure-level information within it which is most likely to be consulted by potential applicants.

At the same time, there are a number of issues which arise from a consideration of the SPD and revised Programme Complement with regard to each of the themes:

**Equal Opportunities**

- While a considerable range of targets are set in terms of participation by women, black and minority ethnic individuals and disabled people, one notable omission is that of older people: this may be particularly relevant, given the focus of the Programme on inactivity and the fact that this is at its most intense in the 50+ age group. The increasing focus of the European Employment Strategy on “active ageing” may mean that this needs to be revisited.

- More generally, the entry into force of Article 13 of the Amsterdam Treaty at the end of the year will extend the scope of European equalities legislation to embrace age, religion and sexual orientation: this will present new challenges in terms of providing appropriate guidance and advice to project applicants and to partnerships.

- Although targets for the provision of childcare places are a key component of promoting gender equality in access to training and the labour market, the lack of a clear definition in the revised Programme Complement of what this means is an important omission: from the evidence of our project sample, many of the childcare
places “created” are simply made available for the duration of what may be a relatively short training intervention. Some clarification of this - separating permanent from ad hoc childcare provision – may be needed.

Information Society

- The strategy for ICT is hampered by the lack of clear baselines within the SPD for the three overarching targets which are set (SMEs with access to the internet; the number of people with ICT qualifications at NVQ level 4, and the number of trainees receiving training using ICT as a delivery mechanism).

- The more specific and measurable activity targets that are set apply only to those Measures which are directly concerned with the delivery of ICT infrastructure and support (Priority 2, Measures 1 and 2), although linkages are made between the theme and all Measures, with the exception of 3 measures within Priority 5.

- A further problem is the very rapid changes, both in terms of the technology itself and its uptake. This means that the level of ambition, for example in terms of SME’s with access to the Internet (50%) already seems excessively modest, but without relating to the achievements of the Programme itself.

Environmental Sustainability

- The main issue here is the lack of a clear relationship between the high-level targets set for the Programme as a whole (a reduction in CO2 emissions of 10% by 2010 and zero annual traffic growth by the final year of the programme) and what the Programme is able to achieve. The way in which this target might be taken into account in the context of specific projects has, however, recently been clarified in the context of proposals for a Monitoring Strategy for the environmental sustainability cross-cutting theme.

- More generally, the quantification of objectives in the revised Programme Complement seems relatively sophisticated and comprehensive, though in some cases, as with ICT, targets may have become outdated (for example, the target in the Programme Complement for SMEs adopting Environmental Management Systems as a result of the Programme is set at 250, whereas the recently adopted Welsh Assembly Government Business and the Environment Action Plan sets a target of 3,000 companies across Wales adopting such plans).

7.1.2 Evidence from the Process Evaluation

Of the PMC members and advisers interviewed (n = 23), nine stated that they felt that positive efforts had been made to integrate the cross-cutting themes into the programme strategy, to raise their profile and increase awareness of the themes and their importance. As one interviewee explained, “each theme has some very articulate champions”. Five interviewees were also keen to stress that even small progress here was positive given that these themes represented very new, quite radical departures for Wales which could not be expected to materialise overnight.

A minority of four interviewees took a more negative perspective and suggested that too much emphasis on the Cross-Cutting Themes could pose a threat to the strategic focus of the Programme, by detracting from the focus on income generation and job creation.
More specific comments relating to each theme were raised. Perhaps not surprisingly, in each case these comments were made by members and advisers with direct knowledge of and interest in the specific theme concerned.

In terms of **equal opportunities**, three interviewees noted that Wales was viewed externally as an exemplar for good practice in equalities in Structural Funds. This was mainly because of the three-thirds principle and the gender balance on partnerships. One interviewee noted that the Equal Opportunities guidance developed for the programme was also upheld as a model of good practice for the other two themes.

There were, however, some concerns about the integration of the equalities theme at strategic level expressed by a minority of interviewees. These suggested that whilst considerable progress had been made, more remained to be done, particularly in terms of resourcing the support for the equalities agenda. In particular, three interviewees indicated that they felt that gender issues were better understood than those relating to disability and minority ethnic groups, including the Welsh language, with this reflected in the appropriateness and relevance of targets.

Only three of the PMC members and advisers interviewed commented specifically on the strategic integration of the **environmental sustainability** theme. Two of these focused their comments upon the overarching targets for this theme (e.g. zero traffic growth) suggesting that they were going to be extremely difficult to achieve in the context of the programme’s actions.

In terms of **ICT**, only two specific comments were made of relevance here. One interviewee noted that the ICT theme did not have the same lobbying power as equal opportunities and sustainable development, whilst another individual suggested that ICT was less of a problem because it was integral to many projects now anyway. This was echoed by one of the members of the regional partnership who stated “ICT is “inherent in everything we do” – it has moved from being cross-cutting to being mainstream”.

### 7.2 The application of the themes in project development and appraisal

#### 7.2.1 Evidence from the Desk-Based Analysis

Besides the integration of the Cross-Cutting Themes in the revised Programme Complement extensive guidance is available on the WEFO website on each of the themes. These seem thorough and comprehensive, if, at times rather over-complex.

In terms of the **Equal Opportunities Guidance**, this is a useful set of Guidelines written in principle from the point of view of an applicant or project sponsor, which sets out some fairly practical steps about what that person needs to do. Its weaknesses are:

- The fact that it is directed both at applicants and partnerships means that it may sometimes be less directly targeted at the needs of applicants than it might be: we understand that a new guidance document has been approved by the PMC which is more exclusive in its focus.

- It is not always clear as to what groups are actually referred to under "equal opportunities" (in particular there is no clear reference to the Welsh language, although separate guidance is available)
• It does not make sufficient reference to overall legislative responsibilities in regard to equal opportunities.

• The relationship between the guidance and WEFO is not always clear: in Section 6A, the guidance states "we cannot help you fill in your form", but it is not clear here who "we" are, while in Section 6B it says that WEFO etc "should be able to offer guidance", which seems odd as it appears on WEFO’s website.

We understand that additional guidance focused exclusively on project applicants has recently been developed.

The main guidance for the environmental sustainability cross-cutting theme is “Maximising the Environmental Sustainability of the West Wales and the Valleys Objective 1 Programme”. This is a comprehensive publication, which is structured around a Measure by Measure guide to integrating sustainability into the development of projects. The Guidance also includes some contextual information on the relationship between sustainable development and the Structural Funds and a Chapter on project monitoring. The Guidance is generally of high quality and relatively user-friendly: the only qualifications being its length (at 115 pages it is a significant addition to the reading for would-be project applicants, although most would be able to concentrate on the one or two appropriate measure-level sections) and the fact that by addressing both applicants and programme managers, its focus is somewhat diluted.

In terms of guidance on the ICT Cross-Cutting Theme, the main source of guidance for both applicants and programme managers is “Maximising the Potential of the Information Society”. It has been developed as part of the WDA’s Wales Information Society (WIS) initiative and provides links to their website where more information is provided.

There is some minor discontinuity between the Guidance and the Programme Complement with regard to the to the objectives of the cross-cutting theme. The Programme Complement states these as:

• Increase awareness of ICT
• Increase skills training in ICT
• Reduce negative effects of peripherality
• Increase business competitiveness
• Increase the delivery of public services through ICT
• Support the creation of the Wales Information Society

In the guidance, these have changed slightly to 5 objectives:

• To increase awareness of the potentials offered by ICT
• To increase the number of people receiving high quality ICT related skills training
• To increase business competitiveness in the region by supporting increased use of ICT applications
• To reduce the negative effects of peripherality by increasing the use of ICTs by those living in more isolated areas
• To increase the range of public services provided through ICTs for the benefit of business competitiveness and the quality of life of citizens.
The report aims to offer assistance:

- *for programme managers* - to step back from the conventional planning process and conventional delivery systems and to consider ways in which ICTs could achieve the aims of the Information Society Action Plan in a more efficient, cost-effective and sustainable way, thereby influencing the activity which is proposed;

- *for project applicants* - to firstly consider which of the Single Programming Document’s Information Society objectives they are meeting; secondly, to ensure they are making the most of the opportunities offered by ICTs; and thirdly, to evaluate the project’s design and to ensure that it is implemented in a manner which helps build a critical mass of ICT users and applications in Wales.

The guidance is structured around individual Priorities and Measures, including questions for both project applicants and programme managers to ask themselves, potential actions and targets and the scoring criteria. This is a helpful approach, although a similar point to that made for the other Cross-Cutting Theme guidance – that specific guidance targeted at the applicant only might be better still.

In terms of the content, the approach of linking the five objectives for each priority and measure is also a sound one. The specific advice can, however, be rather generic, particularly for those measures where the linkage to the theme is more difficult to perceive. The example of Priority 3, Measure 3 (Regeneration of Deprived Areas) illustrates this.

<table>
<thead>
<tr>
<th>Priority 3</th>
<th>Measure 3</th>
<th>Regeneration of deprived Areas through Community-Led Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing awareness of the Potentials offered by ICTs</td>
<td>Increasing the number of people receiving ICT related Skills Training and information</td>
<td>Reducing the negative effects of Peripherality</td>
</tr>
<tr>
<td>ICT skills will be invaluable in supporting and developing community-led action</td>
<td>Improved access to ICTs will enable community-led actions to overcome the effects of peripherality</td>
<td></td>
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<tr>
<td>Where such actions employ ICTs, there will be a positive impact on awareness</td>
<td>ICTs can play an important part in supporting community-led action in development of the Social Economy</td>
<td></td>
</tr>
<tr>
<td>Public agency support for community-led action can be facilitated by use of ICTs</td>
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7.2.2 Evidence from the Project Sample

Despite the quality of the guidance on the Cross-Cutting Themes, it was striking that very few of the project sponsors referred specifically, without being prompted, to any of the Cross-Cutting Themes during our interviews with them. There were also some evident differences in terms of practice with regard to project appraisal:

- In the case of ERDF, EAGGF and FIFG advice about individual project applications was sought and given on a routine basis on the environmental sustainability cross-cutting theme from WEFO’s internal advisor (on secondment from the Environment Agency).
- There was little evidence of similar advice being provided in the case of the other two themes, even for ERDF/EAGGF and FIFG projects. In part, this reflected the relative confidence of staff in terms of their understanding of the implications of the themes (this was certainly the case for equal opportunities) and in part the perception that advisers on the other themes had less capacity to undertake such appraisals.
- The ESF team in Machynlleth very rarely appeared to seek advice from the Cross-Cutting Theme advisers, though they had received training from them.

There was significant scepticism on the part of many project sponsors about the consistency with regard to the appraisal and scoring of the Cross-Cutting Themes questions, with several project sponsors pointing to examples where identical responses on different applications had been scored widely differently (though this demonstrates more, perhaps, the failure of sponsors to appreciate the need to address the cross-cutting theme aspects of the individual project).

In many cases, project sponsors were concerned that the Cross-Cutting Themes were in danger of becoming more important than the project itself and that project designs were in some cases being contorted in order to comply. Others felt that, since the SPD was framed, legislation and good practice had in any case moved ahead and that things like new building regulations and anti-disability discrimination legislation were obliging applicants to observe some of the Cross-Cutting Themes as routine.

In terms of the specific themes:

**Equal Opportunities**

Almost universally, the Equal Opportunities Cross-Cutting Theme was regarded with weary acceptance by sponsors; they fully subscribed to the Equal Opportunities ethos, but saw little value in ‘filling the boxes’ on applications forms. Very few sponsors claimed that considering the Equal Opportunities Cross-Cutting Theme had altered in any material way the design or implementation of their projects and a majority believed that the Equal Opportunities ‘thinking’ was firmly embedded within their organisations.

By and large, sponsors of ERDF and EAGGF projects reported greater difficulty in addressing the Equal Opportunities Cross-Cutting Theme, with Priority 5 projects often simply stating that they had an equal opportunities policy: but it has to be said that several sponsors of ESF projects also described the questions posed as ‘hurdles’ or ‘irrelevancies’. In the majority of cases, there was a sense that project sponsors did consider Equal Opportunities as a matter of course in developing their project ideas, but that this might well owe something to a history of bidding for Structural Funds and UK Government monies.
Whilst a few project sponsors had consulted ‘experts’ such as Chwarae Teg and the RNIB in the development of their project applications, none had involved them in implementing or monitoring their projects. A significant proportion of project applications made reference to sponsor organisations’ Equal Opportunities Policies, and some also made reference to Welsh Language Policies. It would not, however, be safe to attribute the existence of such policies to the Objective 1 programme.

**Information Society**

In terms of the Information Society/ICT, it was generally very clear that projects tended to fit within one of two categories. The first were those projects that had an ICT theme as part of the main thrust of the project (22 projects). Here the responses in the application forms were good, but it might be questioned whether this resulted from the fact ICT was a Cross-Cutting Theme. One of these project promoters said explicitly that they did not think that the Information Society should be a Cross-Cutting Theme in the same way as sustainability and equal opportunities.

The other category was of projects who felt that the ICT cross-cutting theme was irrelevant or less relevant to their project. Many of these projects said they had used standard responses on the application forms (27 projects) and several of the project promoters either admitted to not having a clue about the theme or expressed surprise at getting through the project scoring positively (four projects).

**Environmental Sustainability**

Widely differing interpretations of this Cross-Cutting Theme were applied by applicants. Some applicants used the broader definition of sustainability and not its environmental aspect (a particular confusion here being that the standard ESF application form refers to sustainable development, rather than environmental sustainability); others have used the term to mean the longer term viability of the project beyond the Objective 1 funding period. Some applicants made very obtuse reference to the term in their application, losing its meaning almost entirely, yet still scored well, for example:

“Within the project the essence of education is critical for promoting such values and improving people’s capacity to address environment and development issues. The project will demonstrate a real commitment to the principles and practices of environmental procedures, fostering environmentally aware attitudes, skills and behaviour patterns, accompanied by a sense of ethical responsibility for all those actively involved in the project”.

More positively, some applicants made reference to their own environmental advisers or to organisations such as the Countryside Council for Wales who might have been consulted in framing a bid.

Capital project applications involving new build often had an advantage in that current building regulations stipulate a significant degree of environmentally good practice, e.g. minimum levels of insulation and energy efficient systems. Revenue projects, especially where these involved providing advice, struggled to incorporate environmental sustainability, partly because the organisations involved did not have in-house expertise or did not see it as their area of responsibility.
In some cases, WEFO’s appraisal did enable the identification of opportunities to strengthen the application, for example a transportation project where “greening” of the route was incorporated at the suggestion of WEFO. However, there was also much evidence of a rather “tokenistic” approach even in the appraisal process, for example a project was advised to go to BRESCU (the Building Research Establishment’s Conservation Unit) for advice: the applicant did seek the advice, but then ignored it.

In terms of ESF, not only project sponsors but also WEFO case officers considered environmental sustainability less relevant to ESF projects and argued that section 4.7 of the application form elicited token answers from applicants. One sponsor admitted to making broad statements about the delivery of environmental training in the knowledge that they were unlikely to implement this.

7.2.3 Evidence from the Process Evaluation

Evidence from the process evaluation suggests there was some concern about the degree to which the themes were making a difference to projects in practice. A minority of PMC members interviewed (i.e. five when n = 23) raised concerns about the extent to which the themes were applied rigorously in the process of project appraisal and approval. Five PMC members and advisors also expressed concerns about the level of expertise available to WEFO to make an effective judgement on the application of the themes in projects.

In terms of the partnership survey, partnership members were relatively optimistic about the contribution of projects to the Cross-Cutting Themes:

- More than a half (57%) believed that projects which their partnerships were supporting would improve the effectiveness and use of ICT;
- Almost half (49%) believed they would enhance equal opportunities; and
- 46% that they would promote environmental sustainability.

Interviews across the 5 partnerships we sampled in detail, revealed a high degree of variability in terms of both the degree of understanding of the themes and in the level of confidence that they were being applied rigorously in project development and appraisal processes. For example, within the regional partnership quite different views were expressed on this issue. One interviewee suggested that “there is raised understanding and awareness of the themes” In contrast, another (somewhat more common view) was that the themes tended to be viewed as ‘add-ons’ to projects and are often not properly though through.

Similar differences of opinion and perspective appeared to exist both within and across the local partnerships. In most cases, the Secretariat appeared more convinced that the partnership board members understood and applied the themes rigorously than did the partnership board members themselves. In the North Wales partnership, for example, the majority of partnership board members interviewed tended to view the themes as hoops that applicants had to jump through before they get to partnerships for approval.

Similarly, in one of the Valleys partnerships, whilst members generally accepted the themes as being necessary, there were very different perceptions of how they were viewed across the Partnership Board. In this partnership, the Secretariat also gave the impression that they encouraged tokenism among project sponsors by encouraging small organisation to copy template policies. A representative view of the members of this partnership was: “we probably don’t pay enough attention to the Cross-Cutting Themes, but WEFO is a backstop for that”.

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In the other Valleys partnership, partnership board members felt they had benefited from having some training in the themes (provided by the Secretariat). This partnership had also made significant use of local networks of expertise in key areas and by asking applicants lots of questions. A representative view was: “we keep on to them - where’s your evidence?”.

7.3 The Integration of the Themes in Project Implementation

7.3.1 Evidence from our Desk-Based Analysis

As noted in Section 5.3 above, by sampling selected targets, it would appear that reasonable progress is being made towards targets relating to the Cross-Cutting Themes.

In terms of equal opportunities, overall predictions of participation by women, people from ethnic minorities or people with disabilities suggest that programme targets should be met, although areas of weakness include actual and predicted performance on SMEs receiving financial support owned by women, people from ethnic minorities or people with disabilities: the provision of childcare places under Priority 1, Measure 4 and Priority 4, Measure 2; and the number of enterprises receiving support led by women people from ethnic minorities or people with disabilities under Priority 3, Measure 4 (Social enterprises).

The ESF leavers survey suggests that predictions in terms of participation may be broadly accurate, with 54% of beneficiaries returning the survey being women (compared to a target of 48%), 17% suffering from a long-term health problem or disability (compared to a target of 16%) and 1% of beneficiaries belonging to an ethnic minority (slightly below the Programme target).

For environmental sustainability, the reported progress under the majority of the output indicators is again good, with in two cases predicted outcomes already surpassing the Programme Complement target. Main problems here would seem to relate to Priority 1, Measure 3 and new SMEs adopting Environmental Management Systems.

As noted in Section 7.1 above, there are few targets within the Programme Complement that relate to ICT. The two outputs relating to Priority 2, Measure 2 (exemplars of e-commerce, and firms benefitting from e-commerce and ICT support) which are relevant to this theme, in both cases show predicted outcomes are already in excess of the Programme Complement target.

7.3.2 Evidence from the Project Sample

If evidence from the aggregate data seems broadly positive, our project sample suggested that, while there were individual projects which were making very significant contributions to the Cross-Cutting Themes, because these either were, or were close to, the focus of the project, many project sponsors were simply unable to talk with any conviction about the ways in which their project related to the themes. In several cases where the original applicant was no longer involved in the project, project sponsors needed to be reminded of what the three themes were. Few projects could point to any involvement of specialist advisors in project management or delivery – where this was the case, they were most likely to be from environmental bodies.
In terms of the specific themes:

**Equal Opportunities**

In the case of equal opportunities, the effectiveness of the integration into implementation of the equal opportunities theme can be examined from the perspective of the likely contribution of the 66 projects to the three Objectives for this theme within the Programme Complement and for three more specific equality objectives.

1. **To increase and secure access to education, training and employment opportunities for women, disabled people and black and minority ethnic people who suffer exclusion**

   It is primarily the ESF measures within the Programme that are concerned with the achievement of this objective. A review of ESF applications suggested that:

   - 60% of beneficiaries would be female (compared to the target of 48%). Anecdotal evidence would suggest that female participation rates have been a little lower than suggested by the applications;
   - 11% of beneficiaries would be disabled, compared to a Programme Complement targets of 16%. On the whole, sponsors feared that projects would fall short of their own expectations;
   - 4% of beneficiaries would be drawn from minority ethnic groups, compared to a 1% Programme Complement target. Sponsors suggested that the participation was likely to be somewhere between these two targets.

2. **To increase the number of women, disabled people and black and minority ethnic people securing training and employment in higher paid and higher skilled sectors and self employment**

   There was little information available to indicate the likelihood of this objective being achieved; indeed, it is questionable whether baseline data exists to enable an assessment to be made.

3. **To increase the number of employers and training organisations adopting equal opportunities policies and working practices to ensure work life balance**

   A significant proportion of project applications made reference to sponsor organisations’ Equal Opportunities Policies, and some also made reference to Welsh Language Policies, but no projects specifically made reference to working with other bodies to address these issues.

4. **Challenging horizontal and vertical stereotypes**

   There was only limited evidence that women were being encouraged into non-traditional occupations. Equally, there was little to suggest that women were being targeted for training designed to prepare them for senior positions. Indeed, projects which intended to recruit more women than men tended to be geared towards ‘soft’ skills and basic level training rather than specific or higher level vocational skills.

5. **Take into account the particular needs of women and men who are disadvantaged, disabled or from black and ethnic minority backgrounds**
It is notable that all the headline Equal Opportunities targets given in the Programme Complement relate to women and disregard other disadvantaged groups. It was argued by some project sponsors that there needed to be some recognition that men are more disadvantaged than women in some communities.

6. Ensure equality of opportunity for Welsh speakers and take into account the impact of activities on bilingual communities

By and large, project sponsors sought to provide services in the language of their clients’ choosing. It was not clear, however, whether all promoters understood the principle of bilingualism: two project sponsors equated ‘addressing the Welsh language’ with providing Welsh language courses for non-Welsh speakers!

**ICT**

Unsurprisingly, for a significant proportion of projects, particularly under Priority 2, ICT was integral to the conception and the delivery of the projects. In these cases, actions promised generally appeared to have been taken seriously in terms of delivery of projects.

Outside of such projects, however, the pattern was much more mixed, with several project sponsors arguing, sometimes convincingly (perhaps particularly in the case of Priority 5), that ICT had no substantial relevance. A number of project sponsors – particularly under Priority 4 - argued that the lack of broadband infrastructure made it impossible to maximise the delivery of projects through the medium of ICT. Several of the large projects said they would appoint an IT advisor but at least one had failed to do so to date.

More generally, we found no evidence that any of the projects had been adapted to meet the requirements of the Cross-Cutting Theme, nor any evidence outside of the ICT based projects of any new or innovative approaches being put into practice. Most ICT provision outside of the core projects was either a website, or ICT related training.

**Environmental Sustainability**

Again, in terms of environmental sustainability, there was a significant contrast between projects where this theme was central to the project and others, where the influence of the Cross-Cutting Theme did not seem to be sufficient to affect delivery.

For large capital projects, an environmental impact assessment (EIA) is mandatory in any case. Other schemes supported under Objective 1, such as those connected with the Agri-Food Strategy or Forestry clearly had environmentally good practice at their core. Some projects were also being monitored systematically by bodies such as CCW and the Environment Agency Wales, because these bodies were providing match-funding.

Some projects did not see themselves as being directly engaged with the process of environmental sustainability, as they were acting as brokers/enablers to others, e.g. providing business support to SMEs. They therefore saw this either as something over which they could have little influence, or would refer clients on to the relevant agency or adviser.

In other instances, the project applicant, i.e. the person who had filled in the form, was not the individual who was implementing the project. It was apparent from some comments that the latter had often not considered this theme as an integral part of their approach and work
programme. A weakness of many projects was their seeming lack of commitment to introducing environmental sustainability into their core activities. Many saw it as a tick box to gain ‘brownie points’ rather than an opportunity to change outdated practice and grasp the green agenda. Indeed, in some cases, the linkages between projects and environmental sustainability were seen as little more than a joke. Underlying this was, perhaps, the lack of advice and guidance on how in practice to integrate environmental considerations into project implementation.

7.3.3 Evidence from the Process Evaluation

Almost half of the PMC members and advisers interviewed (11 in total, where n = 23) expressed concerns about the degree to which the Cross-Cutting Themes were effectively embedded into projects i.e. in a way that meant that they would make a difference. Concerns raised included weaknesses in business development measures which many argued had not done enough to encourage people from minority groups into business or to take up ICT. One interviewee also emphasised that insufficient attention has been paid to building childcare facilities and businesses into projects: Several interviewees suggested that more support was needed to help applicants think holistically about their projects e.g. costing the equalities implications of their projects properly.

Five PMC members and advisers indicated that it was difficult to assess the impact of projects on the Cross-Cutting Themes because of a lack of good, relevant monitoring data. For example, in terms of sustainable development, impact assessment was said to be hindered by poor baseline data on, *inter alia*, CO2 emissions. As a result, what was perceived as only relatively low level impacts (such as whether buildings are being built to BRESCU standards) could be monitored. Other interviewees with relevant expertise suggested that more research was needed on the equal opportunities impact of projects, and on the links between the Welsh language and economic success.

**Overview of the Chapter**

- The way in which the three Cross-Cutting Themes – Equal Opportunities, the Information Society and Environmental Sustainability - are integrated into the Programme documentation is exemplary and the guidance available to project applicants generally thorough and well-targeted.

- At the same time, project sponsors do not seem to give the cross-cutting themes particularly high levels of attention when drawing up applications. They make “appropriate” entries on documentation, but there appears to be some scepticism about the real priority which needs to be given to them. In terms of both equal opportunities and environmental sustainability, a significant minority of project sponsors feel that one or other is not relevant to their project – this is particularly true for capital projects in respect of equal opportunities and training and business advice projects in respect of environmental sustainability.

- In terms of equal opportunities, there is relatively little evidence of projects tackling more demanding issues such as challenging gender stereotyping, although ESF projects appear to be meeting targets for the involvement of women, black and minority ethic groups and disabled people.

- Projects funded by the Programme are having a significant impact in terms of the Information Society, but, for the most part, these are projects where the core activity relates to ICT. Outside of such projects, the impact of the Cross-Cutting Theme on project
implementation seems limited.

- A similar pattern applies to environmental sustainability: some projects are exemplars, but in these cases, sustainability lies at the heart of the project’s conception, rather than resulting from the need to address the cross-cutting theme.
8. COMMUNITY ADDED VALUE

In this Chapter, we examine the evidence of the impact of the Programme in terms of added value from the perspective of:

- Financial and Policy Additionality (Section 1)
- Additionality in terms of Process (Section 2)

8.1 Financial and Policy Additionality

8.1.1 Evidence from the Project Sample

Our project sample provided some examples of projects which had been developed specifically to take advantage of the opportunities created by Objective 1 – or in the case of Priority 5, examples of where the SPD had been specifically shaped to reflect new funding regimes which had been developed in response to identified needs. Such projects were most likely either to be large, strategic projects, notably in Priorities 2 and 5, where match-funding budgets had been specifically created by the Welsh Assembly Government either on a stand-alone basis or as ring-fenced part of ASPB’s budgets, or to be community projects funded under Priority 3 or 5.

However, in many cases, projects involved the intensification or qualitative enhancement of existing services or capital projects, with match-funding often derived from “core-funding”. This was most often the case in respect of Priorities 1 and 4. Some specific examples include:

- An umbrella local project funded under Priority 4, Measure 3 (Lifelong Learning) involving more than 5,000 beneficiaries, providing outreach and additional advice/guidance and tutorial support to students of FE colleges and other training providers, using ELWa formula funding as “match”: the additionality was perceived as coming from the extension of learning opportunities to the groups least likely to access them and the higher rates of completion and progression on the part of beneficiaries.

- A similar project, funded under Priority 4, Measure 5 (Improving the Participation of Women in the Labour Market), which used ESF to “wrap around” the provision of adult education courses – again core funding for which ultimately derived from ELWa – with outreach, including the provision of taster-courses, and support, notably childcare, and which allowed provision to be delivered in a far wider range of locations. Again, the additionality was not in terms of additional outputs in terms of total beneficiary numbers (“bums on seats”) but the potential to use these learning places for women who would otherwise be excluded from access to learning.

- A project funded under Priority 6, Measure 1 (Accessibility and Transport) which used Objective 1 funding to match Transport Grant monies: these would have been sufficient on their own to provide the core outputs measured by the Programme Complement, but the ERDF enhanced the quality of the project and allowed it to be integrated with other environmental improvements which were expected to have significant indirect economic impacts.

- A full-time postgraduate HE course, with core tuition costs underwritten by ELWa – HEFCW funding, under Priority 1, Measure 4 which provided fee remission and bursaries to those undertaking the course. In principle, the course could have run
without additional support but the sponsor believed that it would be impossible to attract sufficient students without the promise of this additional support.

In all, seven of the twelve ESF projects under Priority 4 drew on “core” funding to match ESF. Such projects argued that Objective 1 funding:

- Increased the scale of existing activity;
- Provided support to encourage and enable participation e.g. guidance, mentoring;
- Created opportunities in the community through ‘outreach’ provision;
- Enhanced the content of existing courses/provision;
- Mitigated or reduced course fees; or
- Removed barriers by providing ‘enabling’ services such as childcare, travel.

It is very important to stress that, in each of these specific examples cited above, the sponsors’ arguments of additional value being achieved through the leveraging in of Objective 1 funding seemed absolutely sound, and are consistent with EU rules which allow additionality to be defined in terms of quantitative or qualitative enhancements to projects which would have been delivered even if Objective 1 funding was not available. Moreover, in a programme of the scale of Objective 1 it would be unrealistic to expect that programme spend could be achieved without drawing on organisations’ “core funding” in this way, while it is legitimate to point out – as many project sponsors did – that any idea which was not capable of attracting public funding except by accessing Objective 1 was likely to be of suspect quality.

At the same time, these examples do highlight the dangers of attributing outputs attributed to the Programme by project sponsors as being wholly additional to what would have been funded in the absence of Objective 1: in each of the cases cited above, the majority of the crude outputs would have been achieved even without Objective 1 funding.

Questions of the degree of additionality and deadweight for the Programme as a whole are therefore extremely difficult to answer with any confidence. In the case of both Priority 1 and 4, we would infer a certain amount of deadweight: promoters would not necessarily deny this being a significant proportion.

In the case of Priority 2 and 5, deadweight at the level of the project promoter appears to be a less significant factor, with two-thirds of project promoters in the latter asserting with a degree of confidence that projects would not have gone ahead without Objective 1 funding (although one of the two fisheries projects we sampled agreed that the project would have gone ahead unchanged even without FIFG funding, with the other claiming that the project would have gone ahead outside the Objective 1 area).

Inevitably, though, questions must be raised about the deadweight implicit in grant schemes to businesses, which in these Priorities form a significant proportion of the total projects funded: for example, in the case of Farming Connect, while grant application forms require the applicant to answer an “additionality” question, modelled on that used in the EAGGF application, those involved with the scheme admit that they would expect many of the beneficiaries to be bringing forward projects which would have gone ahead at some point even without grant. While our ERDF/EAGGF beneficiary survey hints at relatively low rates of deadweight (only 16% agreeing with the statement “I would have done the sorts of thing I did on the project anyway”), project-level evaluation is needed to answer such questions with any certainty.
In the Priority 3 project sample the projects reviewed could not have been funded using mainstream funding. Most of the sponsors were looking for funding to take forward a gap that they had identified or a particular area which need further development. The exception was a key fund project which was devised to make it easier to spend the funds in the area of benefit. This was the only evidence of a project being devised especially to meet the strategic drive of Objective 1. The project sponsors agreed in this measure that the project ‘might’ not have happened without Objective 1 funding but that they would have continued to look for other funding most agreeing that the work of the project would probably have continued at a reduced scale and timetable without the funding.

In terms of Priority 6, our project sample is too small to allow for judgements on additionality. However, a second of the four projects sampled, in addition to the Priority 6, Measure 1 project cited above, would have gone ahead even without European funding, albeit on a slower timescale.

In terms of displacement, with the exception of the fisheries project referred to above, we found little positive evidence at project level of Objective 1 displacing activity into West Wales and the Valleys which might otherwise have happened elsewhere in Wales. Indeed, many of the larger projects were being delivered on an all-Wales basis (which suggests displacement is unlikely, but also may indicate a degree of cross-subsidy between Objective 1 and East Wales).

The use of Objective 1 monies to supplement core funding inevitably raises issues of project sustainability. Relatively few projects had any clear exit-strategies, and several commented on the fact that the end of the European funding could pose significant problems in terms of the future provision of services. Projects which were using Objective 1 funding to provide qualitative enhancements to services (such as delivery of training at a wide range of community venues or the provision of childcare) were particularly worried about having to revert to narrow service provision after the end of the Programme.

In terms of policy additionality, few of our project sponsors believed that the Objective 1 programme had of itself stimulated or produced novel policy approaches: rather Welsh Assembly Government/ASPB’s policies were generally seen as exerting a stronger influence. In a minority of cases, however (again frequently larger projects and again, weighted towards Priorities 2 and 5), the sponsors claimed that the project design itself was the result of the scale of resources which was available because of Objective 1 funding.

Although many project sponsors were involved in delivering several projects, we found very little evidence of significant integration between projects funded by the different funds. Integration between EAGGF projects and LEADER + was generally poor.

Almost without exception, projects were unable to cite any positive administrative benefits from accessing Structural Fund resources: comparisons with other funding regimes were generally unfavourable and Objective 1 systems were seen as a price that had to be paid for levering in much-needed funding.

8.1.2 Evidence from the Process Evaluation

Interviews with partnership board and PMC members as well as the finding of the partnership survey indicated that there was a very strong perception that the Objective 1 programme was generating added value.
Indeed, the majority of PMC members and advisers interviewed felt that the Objective 1 programme was generating added value and was supporting projects and activities that would not otherwise have gone ahead. Six interviewees (n=23) qualified this view and stated that they felt that the Programme had allowed for scaled-up projects and initiatives rather than entirely new projects or ideas. Typical examples quoted include Finance Wales and the Technium initiative. Moreover, several PMC members raised some concerns about the additionality of the activities being supported. Five individuals expressed specific concerns about the degree of emphasis on business support and questioned whether this was sustainable post-2006. Two interviewees suggested that any benefits from the programme would be set against the costs of the bureaucracy which surround it.

A majority of respondents to the partnership survey also believed that the Objective 1 programme had added value by bringing forward new projects, enhancing the quality of projects, promoting innovative projects and encouraging partnership working.

- More than two thirds (70%) believed that funding from the Objective 1 programme had enabled projects to go ahead sooner than would otherwise have been the case;
- More than half (53%) reported that new types of projects had been funded by the programme;
- Only a fifth (21%) believed that the projects funded would for the most part have gone ahead without the structural funds;
- Fewer than a quarter (24%) reported that the programme had not improved the quality of projects getting public funding.

There was considerable variation between partnerships in terms of the views of survey respondents about the additionality of Objective 1 funding (Table 8.1).
Table 8.1 ‘The programme has funded projects that would for the most part have gone ahead in any case’

<table>
<thead>
<tr>
<th>Partnership</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Torfaen</td>
<td>1.67</td>
</tr>
<tr>
<td>Conwy</td>
<td>2.00</td>
</tr>
<tr>
<td>Blaenau Gwent</td>
<td>2.30</td>
</tr>
<tr>
<td>Anglesey</td>
<td>2.36</td>
</tr>
<tr>
<td>Carmarthenshire</td>
<td>2.38</td>
</tr>
<tr>
<td>IRD</td>
<td>2.40</td>
</tr>
<tr>
<td>Business Support</td>
<td>2.43</td>
</tr>
<tr>
<td>FCCM</td>
<td>2.44</td>
</tr>
<tr>
<td>Caerphilly</td>
<td>2.50</td>
</tr>
<tr>
<td>Gwynedd</td>
<td>2.50</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>2.50</td>
</tr>
<tr>
<td>IS</td>
<td>2.50</td>
</tr>
<tr>
<td>RCT</td>
<td>2.53</td>
</tr>
<tr>
<td>Pembrokeshire</td>
<td>2.54</td>
</tr>
<tr>
<td>Denbighshire</td>
<td>2.57</td>
</tr>
<tr>
<td>Ceredigion</td>
<td>2.63</td>
</tr>
<tr>
<td>Agri – Food</td>
<td>2.67</td>
</tr>
<tr>
<td>Community Regeneration</td>
<td>2.67</td>
</tr>
<tr>
<td>HRD (Obj 1)</td>
<td>2.67</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2.67</td>
</tr>
<tr>
<td>NPT</td>
<td>2.69</td>
</tr>
<tr>
<td>Tourism</td>
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</tr>
<tr>
<td>Swansea</td>
<td>2.87</td>
</tr>
<tr>
<td>Bridgend</td>
<td>3.00</td>
</tr>
<tr>
<td>Merthyr Tydfil</td>
<td>3.00</td>
</tr>
<tr>
<td>Overall</td>
<td>2.53</td>
</tr>
</tbody>
</table>

Source: Survey of local and regional partnerships
N=248. Mean scores on 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’

On the whole, survey respondents from local government believed larger numbers of projects to be additional than did respondents from the private, voluntary and community sectors (Table 8.2).
Table 8.2 ‘The programme has funded projects that would for the most part have gone ahead in any case’

<table>
<thead>
<tr>
<th>Sector</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government</td>
<td>2.17</td>
</tr>
<tr>
<td>Trades Union</td>
<td>2.43</td>
</tr>
<tr>
<td>Other public sector</td>
<td>2.53</td>
</tr>
<tr>
<td>Voluntary/community</td>
<td>2.54</td>
</tr>
<tr>
<td>Private</td>
<td>2.91</td>
</tr>
<tr>
<td>Overall</td>
<td>2.57</td>
</tr>
</tbody>
</table>

Source: Survey of local and regional partnerships
N=248. Mean scores on 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’

The partnership interviews also highlighted the strong differences of opinion that existed both within and between different partnerships as to the added value of Objective 1 projects. Members of the regional partnership were almost unanimous in their feeling that the programme’s impact lay mainly in the scaling up of projects and initiatives. This was a view shared strongly by members of the North Wales local partnership who overwhelmingly suggested that little in the way of new projects were being supported but rather that nascent project ideas were being brought forward earlier than they otherwise would have. (Intriguingly, however, both these partnerships were ones which in the survey were amongst the least sceptical!).

Members of the other local partnerships were more divided in terms of their views. In one of the Valleys partnerships, for example, several members of the local partnership highlighted the significant impact being made locally by the fast-track project in the area which consisted of a business training and advice centre. Positive progress had also been made to ensure almost complete broadband coverage in the area. Several members of this partnership also drew attention to the impact of the projects being supported by Priority 3, Measure 3, where the local partnership had been particularly successful in generating bottom-up project ideas. In the other Valleys Partnership, some members seemed confident that locally approved projects were on track to achieve the outcomes promised, although there did not seem to be any clear basis for such views. It was suggested that there needed to be a ‘fast-track’ application system introduced to enable more projects to come through.

8.2 Process Additionality

8.2.1 Evidence from our project sample

Relatively few projects in our project sample were able to point to significant examples of additionality in terms of process, although sponsors who were also involved in local or regional partnerships often referred to the stimulus to partnership working which Objective 1 entailed (see below). Given this, it is striking that relatively few projects involved partnerships in terms of delivery: only five out of 14 projects in Priority 4 and two out of 16 projects in Priority 5, for example involving steering groups with members drawn from several organisations. In priority 3, three of the projects had developed new partnership whilst others were working through existing partnerships. However, anecdotal evidence suggests that in other Objective 1 areas,
such as Merseyside, it has taken a considerable amount of time for partnerships involved in process to evolve into partnerships involved in the development and implementation of projects.

8.2.2 Evidence from the Process Evaluation

The overwhelming theme emerging from the process evaluation was that the development of partnership working was the most positive impact of the programme. The majority of PMC members and advisors interviewed (i.e. 15 where n = 23) held this view with a typical comment being: “it’s strengthened ‘Team Wales’”. Partnerships were generally seen as having encouraged a more democratic and inclusive approach to decision-making and better cooperation across organisations and sectors. As one interviewee stated, “where it’s worked it’s helped build up trust and it’s reduced the scope for competitive applications in the same area”. Several interviewees suggested that partnership working would be one of most significant and positive long-term impacts of the programme.

Positive comments on the benefits of partnership working were also made by a substantial minority of respondents who added comments to the partnership survey, reinforcing the evidence of general satisfaction with the way in which partnerships were working (See Section 6.4). Comments included: ‘encouraging the private, public & voluntary sectors to work in partnership is a powerful tool for Wales. This partnership working can only benefit the longer term aims and have an effect on the Welsh economy’ and ‘there have been significant benefits to working through partnerships creating relationships that I hope will endure beyond Objective 1. The ethos of “Team Wales” has been strengthened – even if at times by mutual frustration at the apparent bureaucracy in the early stages’.

Across all the five partnerships where we conducted interviews, partnership board members also suggested that the impact of the programme on partnership working was its most significant, positive and potentially lasting feature. All the five partnerships we sampled had developed clear protocols and procedures, largely reflecting WEFO’s guidance. As one member of a Valleys local partnership explained, “through this process there’s more working together and more collaboration, rather than competition”. A voluntary sector representative on this partnership suggested that this had wider benefits – ‘we’re meeting more often and sharing information, and as a result we’re all getting a better understanding of each other’s priorities, aims and constraints. Better communication just within the voluntary sector reps on the partnership is helping reduce problems of duplication’.

Apart from the significant contribution of the Programme towards embedding a new form of partnership working, there was relatively limited evidence from the process evaluation of broader impacts.

Survey respondents suggested that the influence of the Programme on policies and programmes was somewhat limited:

- Only just over half (56%) of survey respondents believed the Objective 1 Programme had had a significant impact on the policies and programmes of other partners; and
- Fewer than half (45%) reported that this had been the case for their own organisation.

There were considerable variations between partnerships in terms of survey respondents’ perceptions of the impact of the programme on their own organisations’ policies and programmes, and a relatively large proportion of survey respondents from the local government
and private sectors believed their programmes had been influenced compared to representatives of other sectors.

Table 8.3 ‘The programme has had a significant effect on my organisation’s policies and programmes’

<table>
<thead>
<tr>
<th>Partnership</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agri – Food</td>
<td>3.67</td>
</tr>
<tr>
<td>Community Regeneration</td>
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<td>Carmarthenshire</td>
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<td>Tourism</td>
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<td>Conwy</td>
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<td>Overall</td>
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</tbody>
</table>

Source: Survey of local and regional partnerships

N=246. Mean scores on 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’
Table 8.4 ‘The programme has had a significant effect on my organisation’s policies and programmes’

<table>
<thead>
<tr>
<th>Sector</th>
<th>Mean</th>
</tr>
</thead>
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<tr>
<td>Private</td>
<td>3.565</td>
</tr>
<tr>
<td>Voluntary/community</td>
<td>3.545</td>
</tr>
<tr>
<td>Other public sector</td>
<td>3.536</td>
</tr>
<tr>
<td>Trades Union</td>
<td>3.000</td>
</tr>
<tr>
<td>Overall</td>
<td>3.567</td>
</tr>
</tbody>
</table>

Source: Survey of local and regional partnerships
N=246. Mean scores on 5 point Likert scale 1= ‘Strongly disagree’; 5= ‘Strongly agree’

Several PMC members (5 in total) suggested that the process generated additional benefits through improved project quality, better feedback to applicants and more local ownership of the programme. A representative view here was: “I think the quality of projects has been improved by the rigour with which they have been assessed by partnerships – it’s probably much more robust and better than it would have been otherwise”.

Overview of the Chapter

- While some projects have been developed specifically in response to the opportunity offered by Objective 1, many revenue projects are using Objective 1 funding to enhance services which would have been available to a more limited extent in the absence of Objective 1. In these cases, Objective 1 funding is used to broaden the scope and scale of projects, or to bring about the intensification and/or qualitative enhancement of what otherwise could have been achieved. While this is line with European Commission rules on additionality, it highlights the need for caution in evaluating the Programme’s outputs and raises concerns about the sustainability of the Programme.

- The Objective 1 Programme is generally seen less as a driver of policy (certainly in comparison to the role of the Welsh Assembly Government) than as a mechanism for realising policy goals.

- The partnership approach is widely seen as having added value as a result of the inclusive, democratic and transparent ‘way things are done’ – and partnerships are expected to encourage continued joint working after the end of the programme, with a variety of potential benefits.
PART III

CONCLUSIONS AND RECOMMENDATIONS
9. CONCLUSIONS AND RECOMMENDATIONS

In this Chapter we attempt to draw together the key messages which have emerged from the evidence summarised in Chapters 4 – 8 and present some recommendations for consideration in the Mid-term Review. In Section 9.1, we first present an overview of our findings, and then present recommendations relating to Programme Strategy and Structure (Section 9.2), Programme Targets (Section 9.3), the Allocation of Resources (Section 9.4) and Programme Processes (Section 9.5).

We recognise that many of the recommendations are relatively minor or technical, and attempt to distinguish between these – which are principally matters for WEFO (which are numbered a – y) and the major issues which need to be debated by the PMC and which are numbered 1 -30.

9.1 Overview

The Objective 1 Programme for West Wales and the Valleys is the most significant and most ambitious Structural Funds Programme ever in Wales, and is, by some way, the largest Objective 1 Programme in the UK. It represents considerable challenges in terms of Programme management, challenges which were made more formidable by the institutional and policy changes which flowed from the creation of the National Assembly for Wales at the same time as the Programme was being developed. Despite these, the strategy developed for the Programme is based on a thorough analysis of the region’s economy which remains broadly appropriate.

While certain elements of the Programme are well-integrated into national strategies (perhaps particularly within Priorities 2 and 5), and while few projects which we sampled were in any way inconsistent with the Welsh Assembly Government strategies which have emerged since the Programme was written, the Programme has clearly been driven largely from the “bottom-up”, with systems and processes designed to respond to project ideas rather than to initiate them. While this is in line with past practice in most UK Structural Fund programmes, the lack of specific consideration given in strategy documents to the role which Objective 1 might play in implementing these strategies might be thought surprising. Particularly in those parts of the Programme where resources are proving inadequate to meet the demand from potential projects, and, conversely, where relatively slow progress is being made, greater efforts need to be made to ensure a more strategic and pro-active approach.

In terms of the most immediate indicator of the Programme’s progress towards achieving its goals, the commitment of funds, the situation at the mid-term is broadly good, with the exception of Priority 3, Community Economic Development, where we believe there are some fundamental issues to be addressed, and a number of infrastructure measures, where, for the most part, a reasonable “pipeline” of projects are reported to be in development. A number of areas of the Programme are under significant pressure in terms of eligible project proposals which cannot be funded – notably two capital measures Priority 1, Measure 5 and Priority 4, Measure 4.
While there is a significant gap between commitments and payments actually made, this is not, in itself unusual for such Programmes, although it is more serious than in the past, given new European Commission requirement in terms of the rate of spend: our fieldwork suggested that there is some evidence of generally modest underspends, which does need to be addressed and compensated for, but that these are, in general terms, in the order of no more than 10 – 15%.

Progress in terms of outputs is, perhaps inevitably, more complex. Aggregate data suggests that progress in terms of predicted outputs is broadly in line with, or superior to, the ambitions of the Programme, and the so far limited evidence in terms of actual outputs does not show major discrepancies from these predictions. However, one key area of concern, given the overall targets of the Programme is the progress in terms of jobs created: with the exception of Priority 1, all parts of the Programme are showing slower than anticipated progress in terms of direct jobs, and projects and programme managers agree that targets in respect of Priorities 2 and 5 are probably unrealistic.

Moreover, the figures deriving from the aggregate data need to be qualified, not least by the fact that several key projects originally set outputs pro rata to the proportion of funding within the relevant Measure which they applied for. Our fieldwork suggested that projects were more likely to under-achieve in terms of outputs than they were in terms of spend (representing poorer value for money than originally forecast) and that, despite the excellent work done by WEFO in revising the Programme Complement, some key definitions in terms of jobs created and SMEs assisted were not always fully understood. The proliferation of targets within the Programme means that projects, programme managers, management information systems and indeed evaluators are often overwhelmed: we believe that there needs to be a further simplification of the hierarchy of targets to enable a clearer focus on the key goals of the Programme.

More importantly, we found that many projects - particularly in terms of the European Social Fund - were using European funding to enhance the quality and intensity of the support which organisations were already providing to individuals or to SMEs. This is perfectly legitimate in terms of the rules of additionality, but it underlines the fact that care needs to be exercised in attributing the outputs claimed to the Objective 1 intervention: the benefits brought by the Structural Funds are frequently both less – in terms of direct outputs – and more – in terms of qualitative impacts – than the data would suggest.

In the light of our evaluation, the Programme targets for net impacts, at both Priority and Programme level seem ambitious. There are also some concerns as to whether the PRI targets – particularly for results – will be met and efforts are needed to ensure that all data on projects’ achievements is received and entered on the database before the deadline of 31 December 2003.

In terms of process, our most important conclusion is that there is insufficient contact with projects once they are given approval to proceed. Partnerships – which play a major role in terms of supporting project development and selection – are unclear what, if any, part they are expected to play in terms of monitoring at the project level and are not kept “in the loop” about projects’ progress. Within WEFO, also, there is a structural discontinuity between the process of project appraisal and approval and project implementation, with responsibility for contact with projects generally passing to the Payments team on approval. While systems for collecting monitoring data are in place – although not always
rigorously enforced - this data is exclusively quantitative, and there is virtually no face-to-face contact with projects. Allied to this, we found very little evidence of projects undertaking systematic evaluation.

This, in our view, is a significant issue, partly because we believe projects have insufficient access to guidance and “hand-holding”, partly because less formal contact would allow potential problems to be identified and addressed earlier, but mostly because there is, at present, no mechanism to enable the qualitative experience of projects to be captured and best practice to be identified and disseminated. This is a source of frustration amongst those involved with programme management at all levels. It is particularly serious because, as noted above, much of the Programme has, to date, been very much “bottom-up” in terms of the development of projects, rather than strategy-led.

In terms of other process issues, the system for project selection which has evolved is highly participative, but is perceived by applicants as very burdensome and over-long, and this appears to have some grounding in fact. Average time from the submission of a proforma to final approval seems to be around 6 – 8 months and partnerships appear to spend significant time consulting with each other and, to some extent, revisiting issues, such as eligibility, which are not their formal responsibility. While the experience of partnership is regarded by many as the most important benefit from the Programme, partnership members are not always clear about their role or whether they are involved in a representative capacity or because of their expertise. There seems particularly true of the Strategy Partnerships.

Formal appraisal systems which have been developed within WEFO are of very high quality, but, in practice, there appear to be significant differences in terms of the appraisal between (on the one hand) ERDF/EAGGF/FIFG teams and (on the other) the ESF team, with the latter much less likely to consult external expertise: this can be attributed to the higher volume of smaller projects under ESF. The ESF application form presents significant problems and is need of overhaul. While we recognise that there have been good reasons why it has not been possible to address this to date, and accept that other factors may make it impossible to implement major changes within the life of the Programme, we believe there is a strong case for developing a new ESF form and associated guidance.

In terms of the Cross-Cutting Themes, while the integration at strategy level is exemplary, there do appear to be significant problems in translating this into “making a difference” in terms of project design and, even more, delivery. A greater focus on more practical advice for project sponsors may be needed.

9.2 Programme Strategy and Structure

Main recommendations

In terms of overall strategy, our desk-analysis suggested that while there was little conflict between policy priorities of the Welsh Assembly Government and the Objective 1 Programme, there was little evidence that the Structural Funds were consistently referenced as a mechanism for realising policy goals. Our project sample also suggested that projects - particularly in Priorities 1 and 4 - generally reflected the organisational goals of applicants, with broader strategies generally used as contextual material, while the process evaluation revealed a general consensus that partnerships were insufficiently...
proactive. We believe at this Mid-term stage a more strategic approach is needed if the overall ambitions of the Programme are to be realised.

**Recommendation 1:** The PMC should encourage the Welsh Assembly Government and ASPBs to address specifically the role of Objective 1 in providing a delivery mechanism for high-level strategies as these are developed and revised, and, where appropriate, to reflect on the different needs of West Wales and the Valleys and East Wales.

In terms of the Programme Structure, although our desk analysis suggested that it was overly-complex, we found less evidence from the project sample or aggregate data that this was causing significant problems in terms of Programme management. We do not therefore propose any major changes with the exception of Priority 3 (Community Economic Development), where it was clear from the aggregate data, from our project sample and from the process evaluation that there were major concerns as to whether the ear-marked resources could be used effectively, and that there was some confusion as to the delineation between the different ERDF measures. Added to this, the evidence from our desk analysis of the lack of integration with the flagship Communities First Programme, suggests some more radical thinking may be needed, if the resources under Priority 3 are to be deployed to best effect.

**Recommendation 2:** The PMC should consider merging Priority 3, Measures 2, 3 and 4 to allow more flexibility in terms of project development and programme management.

**Recommendation 3:** The PMC, the Welsh Assembly Government, local partnerships, Community Assets Strategy Partnership and Communities First lead bodies need to consider how closer integration between Communities First and Priority 3 can be achieved. In particular, we recommend that discussions are opened with the Commission to revisit the geographical targeting to align it more closely with Communities First, while taking into account the need for transition, particularly with regard to indicative allocations. Serious consideration also needs to be given to the extent to which the Welsh Assembly Government might draw on Priority 3 to co-finance support to targeted communities.

In terms of the overall balance of the Programme, there was evidence through our project sample and the process evaluation of concerns at the lack of resources earmarked for capital projects, the pressure on certain of the infrastructure measures and the exclusion from the Programme of certain activities which have previously been eligible, notably tourism capital projects (including for major events) and town and city-centre enhancements. The aggregate data confirmed the high level of demand for some capital measures, while our desk analysis suggested that the allocation to infrastructure was modest given the emphasis in the Programming documentation on the challenges faced by region in terms of peripherality. While we recognise that the Programme should not be led by demand, and while we are aware that these issues were the subject of intense debate between the Welsh partnership and the Commission during the negotiation of the SPD, we do believe, on balance, that the Programme provides insufficient emphasis on capital projects. The project sample also highlighted some lack of clarity over the use of the concept of “more peripheral areas” in Priority 6.

**Recommendation 4:** The PMC should seek the agreement of the European Commission to reinforce financial allocations to Priority 1, Measure 5 (Providing Sites and Premises for SMEs) and Priority 4, Measure 4 (Improving the Learning System) subject to greater strategic control (see also Section 9.4) as well as to relax the capital/revenue split in
Priority 2, Measure 3 (Support for the Development of Innovation and Research and Development). The SPD references with regard to Priority 6 (Strategic Infrastructure Development) to “more peripheral areas” should be deleted. The issue of whether tourism capital projects (including support for major events) and city- and town-centre enhancements should continue to be excluded from the Programme is essentially a political one for the PMC and the Commission.

Our desk analysis suggested a degree of contrast between the heavily economic focus of the Programme’s headline objectives and the very wide range of interventions which are allowed for under the Programme. At the same time, the analysis of the aggregate data and the project sample suggested that, despite much progress towards the Programme’s targets, there were grounds for concerns about the likely impacts in terms of jobs, and to a lesser extent, reducing inactivity, which are core to the achievement of these core objectives. The project sample suggested that, despite the intense scrutiny and appraisal projects undergo, there was relatively little explicit focus on the way in which they would contribute to these over-arching targets.

**Recommendation 5:** If headline objectives in respect of net job creation and reduced inactivity and the focus on GDP are retained (which we would support), then there needs to be a clearer focus in project development and appraisal throughout the Programme on the way in which individual projects relate to these headline targets.

**Other recommendations**

In terms of the underlying analysis within the SPD, a number of issues emerged from our desk analysis for future consideration:

**Recommendation a):** For any future Programme, the underpinning economic analysis should reflect on how patterns of external control are likely to effect the demand and supply side of the Welsh economy and the trade performance of the Welsh economy should be included in the indicators of economic performance.

**Recommendation b):** For any future Programme and for similar strategic analyses, comparators with regional performance elsewhere in the UK might be used alongside Welsh/UK comparators.

Given the evidence from our evaluation (particularly from the project sample, but also from the ESF leavers survey and our desk-analysis of changes to the European Employment Strategy and UK strategies) we believe action is needed to reinforce some of themes of the strategy where these appear insufficiently addressed in practice.

**Recommendation c):** There is a need to raise the profile of issues surrounding the quality of work, including flexible working and work-life balance, particularly in the context of the Priority 1, Measure 4 and Priority 4, Measure 5. A much stronger emphasis is also needed within Priority 4, Measure 5 on issues addressing gender segregation in the labour market. The PMC should ensure that key organisations with an interest in these areas – including the social partners, ELWa and relevant local and regional partnerships - are invited to consider project development in this area.

**Recommendation d):** The PMC should consider whether specific targets for the ESF measures should be set for participation by the over-50s in education and training and
should invite ELWa, the Human Resources Assets Strategy Partnership and other relevant partnerships to consider how more projects targeting this age-range might be developed.

Recommendation e): The PMC should note the policy areas in the new draft Guidelines for the European Employment Strategy and consider whether action is needed or practicable, particularly with regard to “undeclared work”.

9.3 Programme Targets

Main recommendations

Our desk-analysis suggested some issues need to be addressed with regard to the overarching Programme targets, while our desk-analysis, the aggregate data and our project sample all highlighted potential difficulties with achieving the challenging targets set for net job growth.

Recommendation 6: The PMC should consider revisiting the Programme target for GDP growth and consider whether an additional target might be set in terms of real earnings growth.

Recommendation 7: The PMC should recognise that the target for net employment growth is extremely challenging in the light of macro-economic changes since 1999 and may need to be revisited in the light of Recommendation 10 below.

In terms of the broader structure of targets, our desk-analysis highlighted concerns, despite the excellent work done in the revised Programme Complement, about the range and complexity of the targets set for the Programme, particularly the fact that many Measure-level targets, included in the monitoring system, do not contribute to higher-level (Priority or Programme targets). Our project sample highlighted concerns and confusion on the part of project sponsors about the burden of quantitative monitoring data required and a fairly common view that the “wrong” outputs were being monitored. One of the clearest messages from the process evaluation was the frustration at the usefulness of the aggregate data available. In our view, all this evidence points to the need for a simplification of the targets for the Programme, and attempting to balance the need for a contractual obligation of each project to deliver some monitorable output with a manageable system of collecting and processing aggregate data.

Recommendation 8: The PMC should attempt a simplification of the overall structure of targets within the Programme: this must however be based only on “collapsing” data fields or removing the requirement to collect information. In particular, the presumption should be that Measure-level targets which do not feed in to Priority targets should be indicative and that projects in Measures where no Priority level targets apply should be able to propose in their application measurable targets which could form the basis of the contract with WEFO.

Recommendation 9: For key indicators, Priority level targets in the revised Programme Complement and the SPD need to be brought into line with the definitions now adopted in the Programme Complement and made consistent with the aggregate of the appropriate targets at Measure level. For ESF targets, the numeric targets in the revised Programme Complement and on the database should replace percentage targets in the SPD.
The analysis of the aggregate data, our project sample and our process evaluation all highlighted the fact that job targets in respect of Priorities 2 and 5 were over-ambitious, while the aggregate data suggested that Priority 1 projects appeared capable of generating enhanced job outputs (though the distorting effect of larger projects setting targets pro-rata must be borne in mind). Our desk analysis suggested the inappropriateness of having job targets associated with ESF measures and this was borne out by the aggregate data, where these Measures are recording little or no progress on these targets. In terms of double-counting, our project sample highlighted the fact that while most projects had robust systems in place to prevent double-counting at project-level, there was a fairly widespread belief that double-counting between projects was common. Further research is needed on this, to inform judgements on Programme impacts.

**Recommendation 10:** SPD Priority-level targets for job-creation need to be revisited and reallocated, with targets for Priorities 2 and 5 reduced, and those in Priority 1 increased. ESF measures should not have job-creation targets associated with them.

**Recommendation 11:** The PMC should consider commissioning survey-based research to provide some estimate of the double-counting in terms of SME beneficiaries receiving services from several Objective 1 funded projects.

Our analysis of the aggregate data suggested that some PRI targets (relating to jobs targets in ESF measures) were unlikely to be met and that achievement of the threshold was by no means certain. The evidence of the aggregate data on the low number of completed projects and of our project sample of delays in project sponsors returning monitoring information highlighted the need to ensure all relevant project outputs are returned and logged by the deadline of 31 December 2003.

**Recommendation 12:** In order to ensure that the PRI targets are met the PMC should take all action necessary to ensure that all projects have submitted up to date financial claims and monitoring reports and that these are fully entered on the Programme database.

**Other recommendations**

The quality of data on predicted and actual outputs submitted by projects is clearly a key issue if monitoring against targets is to be credible. While our desk analysis suggested excellent progress in terms of both the provision of definitions of key targets in the revised Programme Complement and robust appraisal systems, the project sample suggested that it was taking time for these to impact on projects’ understanding of these targets. Both our desk analysis and the project sample highlighted the practice of setting targets pro-rata to the amount of finance required, a practice which we believe distorts the monitoring data.

**Recommendation f):** WEFO needs to use all available means to reinforce understanding of the definitions of key indicators contained in the revised Programme Complement, particularly issues around “permanent jobs” and to introduce a clearer definition of “beneficiary”, for example requiring a minimum period of contact for an individual to be counted. This may need to be complemented by a more widespread use of the “advice, guidance or information” beneficiaries found in Priority 4, Measure 3.

**Recommendation g):** The PMC should discourage projects from setting pro-rata targets if these do not seem credible to the organisations developing the project.
Our project sample and the analysis of the aggregate data also suggested a number of areas where targets needed to be reviewed.

Recommendation h): WEFO needs to investigate further whether data relating to increased turnover is being collected and to provide guidance to projects on suitable methodologies for capturing this data if the targets are to be retained.

Recommendation i) Targets for childcare need to be clearer and thought needs to be given as to whether the aim of these targets is to encourage sustainable childcare places or childcare related to short-term training or other interventions.

Recommendation j) Targets and baselines for the ICT Cross-Cutting Theme need to be reviewed.

9.4 The Allocation of Resources

Main recommendations

The evidence from the aggregate data suggests generally satisfactory progress towards programme targets (though with the key caveat of the problems of achieving job-creation targets outside Priority 1, which does not seem likely to be resolved by ear-marking additional resources to under-performing Measures). Three Measures where there is evidence of strong demand - Priority 1, Measure 5, Priority 2, Measure 3 and Priority 4, Measure 4 – are, however having some difficulties in meeting some targets set for them on the basis of existing resources. Given these facts and the evidence of differential levels of demand for resources under different elements of the Programme, our limited recommendations for re-allocating resources are based primarily on a pragmatic consideration of how to ensure Programme resources are fully utilised. They reflect our judgement on where programme resources are most likely to be able to be spent on worthwhile projects and where existing resources may risk being under-utilised because of changes to the context in which the Programme is operating and the lack of viable projects coming forward (even allowing for additional, targeted, project development work). For several of the Measures where some reinforcement might be justified, we believe this must be accompanied by action to ensure that the resources are well-used, given the evidence from the desk analysis, the project sample and the process evaluation of the relatively “unstrategic” approach in key areas of the Programme to date and of some value-for-money concerns in respect of fisheries.

Recommendation 13: In terms of virement and using money allocated from the Performance Reserve and exchange-rate variations, the PMC should consider:

- Allocating additional resources to Priority 1 Measure 5 (Providing Sites and Premises for SMEs). Depending on the evaluation of Finance Wales and the estimates of demand for additional funding from them we believe some resource might be available with Priority 1, Measure 1 (Financial Support for SMEs).
- Viring resources from Priority 3, Measure 1 (Community Action for Social Inclusion) into Priority 4, Measure 2 (Social Inclusion).
- Viring additional resources into Priority 2 Measure 3 (Support for the Development of Innovation Research and Development) provided the Commission
agrees to vary the indicative capital/revenue split. Resources might, in our view be found from Priority 2, Measure 5 (Clean Energy Sector Developments)

- Increasing the resources in Priority 4, Measure 4 (Improving the Learning System), subject to evidence that match-funding is likely to be available and a strategic approach involving the Welsh Assembly Government, ELWa and local partnerships being developed. Resources might, in our view, be transferred from from Priority 6, Measure 2 (Energy Infrastructure) and Priority 6, Measure 4 (Environmental Infrastructure).

- Increasing resources in Priority 5, Measure 4 (Promoting the Adaptation and Development of Rural Areas) and Priority 5, Measure 3 (Forestry) drawing on Priority 5, Measure 1 (Processing and Marketing of Agricultural Products) and Priority 5, Measure 5 (Investment in Agricultural Holdings).

- Reinforcing Priority 5, Measure 9 (Support to Fisheries and Aquaculture) Fisheries), if the Commission is prepared to agree to increase the allocation to the FIFG from EAGGF.

- With the exception of Priority 3, Measure 1 (Community Action for Social Inclusion) and Priority 2, Measure 4 (Skills for Innovation and Technology), allocating the Performance Reserve ESF monies across the remaining ESF measures

- In the case of ERDF, allocating Performance Reserve monies to all Measures with the exception of Priority 2, Measure 5 (Clean Energy Sector Developments), Priority 3 (all Measures), Priority 6, Measure 2 (Energy Infrastructure) and Priority 6, Measure 4 (Environmental Infrastructure).

Recommendation 14: In terms of Priority 1, Measure 5, extra resources should be dependent on a strategic approach bringing together local partnerships, the WDA and the Welsh Assembly Government, as well as WEFO and the Business Assets Strategy Partnership/Infrastructure Regional Partnership and on projects being able to justify need in terms of actual demand for units: an increased emphasis on refurbishment of existing industrial estates where occupancy rates are low because of low quality may help to increase the performance in terms of the targets for floorspace.

Recommendation 15: In the case of Priority 4, Measure 4, ELWa and the Welsh Assembly Government need to work closely with the Human Resource Assets Partnership/HRD Regional Partnership and local partnerships to determine a strategic approach to the use of any additional resources to be made available.

Recommendation 16: Additional resources for fisheries should depend on suitable economic appraisal of potential projects.

Other recommendations

The evidence of our project sample suggested a degree of underspending by projects and, together with the analysis of the aggregate data and our desk analysis suggested some potential problem areas. Past experience suggests that there is a need to ensure major projects “in the pipeline” are brought forward well in advance of the end of the Programme, if under-spends are to be prevented:

Recommendation k): The PMC should allow for a “over-programming” of expenditure of up to 15%, at least insofar as ESF measures and ERDF/EAGGF revenue measures in Priorities 1, 2, and 5.
Recommendation 1): The PMC, the Agri-food Partnership and other key players need to consider how the balance between farm improvement and diversification can be improved in the context of measures under Priority 5.

Recommendation m): In the case of infrastructure Measures where spending is low but projects are said to be in the pipeline – notably Priority 2, Measure 1 (ICT Infrastructure) and Priority 6, Measure 3 (Strategic Employment Sites), projects in development should be given a time-limit to come forward: a deadline of June 2004 might be appropriate.

9.5 Programme Processes

Main recommendations

In Recommendation 1, we have already suggested the need for a clearer lead from the Welsh Assembly Government and ASPBs in terms of identifying ways in which Objective 1 can be used more pro-actively to deliver key strategic goals. The evidence from the process evaluation suggested a lack of understanding on the part of some partnership board members that identifying and filling gaps was a key part of their role, while there was a general view that partnerships had been insufficiently pro-active in their approach. Our project sample also suggested that relatively few projects had, to date, emerged in direct response to the challenges of the Programme.

Recommendation 17: Strategy, local and regional partnerships should be given further encouragement, on the basis of information received from “live” projects (see Recommendation 18), to identify gaps and to set up working groups of key partners to stimulate project development.

In terms of programme processes, our project sample and the process evaluation identified as a critical issue the lack of qualitative information from projects and the lack of contact with project sponsors during the project implementation phase. We believe this needs to be addressed in order to capture projects’ experience, to highlight best practice and to aid early identification and resolution of any problems. This should not be associated with “policing” or “audit” functions, but should be intended to provide support and advice and, where problems are identified, to encourage early contact with WEFO officers. In our view, though the arguments are finely balanced as to whether this should be undertaken by WEFO or partnerships, this is most probably a role which is more appropriate for partnerships to undertake.

Recommendation 18: Monitoring returns should contain a separate sheet for projects to report qualitatively on their view of the achievements, impacts and progress of their project. This should be copied and circulated to the “sponsoring” partnership and to other interested parties.

Recommendation 19: The PMC should encourage partnerships to play a pro-active role in project support during implementation and the Partnership Guidance should be amended to reflect this. Projects should in general be advised of a “named contact” within the Secretariat and partnerships should in general seek to achieve a face-to-face meeting with each project sponsor once a year (we recognise this may not be possible for all partnerships). Additional resources need to be made available through the use of the Technical Assistance measures to help fund this, while WEFO/the Welsh Assembly...
Government should seek to provide the match-funding for local partnerships. WEFO should also consider whether case-officers in the appraisal teams should be available to respond to questions which partnership staff are unable to deal with, or whether a dedicated project support unit should be established.

Our other recommendations on project processes are principally motivated by the need to free up scarce resources within partnerships and in WEFO by reducing the administrative burden of the current project selection process in order to allow this greater focus on project implementation post-approval. However, our project sample also provided ample evidence of the need for some “lightening” of the application process from the point of view of actual and potential applicants, while the desk analysis of the current process suggested some possible ways in which this might be achieved. Although the process evaluation suggested that partnerships generally felt that they were working well under what were perceived as difficult circumstances, it was less clear that projects felt that their interventions were always well-focused on moving the project on while, in our view, it was clear that, in practice, there was a degree of duplication between the scrutiny undertaken by different partnerships. Given all the evidence, we believe consideration should be given as to whether fundamental change is needed in the current system of project selection and appraisal, although we recognise that further process change is as likely to destabilise the Programme as it is to enhance progress. Whether or not structural change is undertaken, we have identified some practical ways in which the project selection and appraisal process can be speeded-up, based on our understanding of the processes currently in place derived from the process evaluation and the project sample.

**Recommendation 20:** The PMC should review the role and structure of partnerships, taking into account the views of local, regional and strategy partnerships. In particular, it should consider whether regional partnerships might not exercise the function currently fulfilled by Strategy Partnerships: this would be dependent on stronger local partnership involvement in regional partnerships. In the case of local partnerships, sub-regional working – including merging of local partnerships – should be encouraged if this is requested by the partnerships concerned.

**Recommendation 21:** The PMC should continue to endorse the two-stage approach to project development and appraisal as a general rule, but should attempt to guide local and regional partnerships towards concentrating on issues “proof of concept” and strategic “fit” in their scrutiny of proformas (this might include simplifying information required at proforma stage and giving an enhanced opportunity for projects to explain their overall concept and the potential impact of the project on GDP, jobs and inactivity).

**Recommendation 22:** The PMC should consider introducing an option for larger projects or those from applicants who are confident that they are ready to move directly to full applications to submit both proforma and full application simultaneously.

**Recommendation 23:** The PMC should ensure that partnerships do not put applications on “hold” during the 35 day consultation period, but, where the lead partnership clearly endorses the project, allow the full application to be prepared and submitted to WEFO, on the clear understanding that any major problems identified by the consultation might mean the application being withdrawn and resubmitted with appropriate changes.
Recommendation 24: Partnerships should seek to reach clear and unambiguous decisions on project proposals. If adequate information is not received after one or two iterations, the project should be encouraged to withdraw the application.

Recommendation 25: Partnerships should only comment on projects on which they are not the lead partnership where they can identify a specific risk of duplication with other projects which are being funded by Objective 1 or other public sources.

Recommendation 26: WEFO should endeavour to consolidate all questions on an application into one response, and should not raise additional queries on the second or subsequent iterations (which may still be needed to further clarify the applicants’ responses to initial questions). Where misunderstandings cannot be resolved, face-to-face meetings between the appraisal officer and the applicant should be encouraged.

Our project sample highlighted significant concerns from a number of (particularly the less-experienced) project applicants over the ESF application form. Our desk-analysis also highlighted the fact that the current inter-active form does not allow for the collection of data needed to monitor the Programme, necessitating the system of additional monitoring forms, while in our project sample we found evidence that some of the numeric data provided by applicants on their application forms was of dubious accuracy. We recognise that there has been little scope to date to address this issue, as responsibility for the ICT systems which support the process have only recently been transferred and that other factors (such as internal Welsh Assembly Government procedures with regard to ICT innovation and the need to discuss any changes with the Department of Work and Pensions) may constrain changes in the short-to-medium term.

Recommendation 27: The PMC should consider commissioning a new ESF application form, drawing on the principles underpinning the new ERDF/EAGGF form and incorporating the information which is currently requested through the supplementary data monitoring sheet.

Evidence from our project sample suggested that there was frequent slippage in the return of financial and monitoring data and that face-to-face contact with the payments team to resolve issues was rare. The evidence from the aggregate data – particularly with regard to the PRIs – highlighted the importance of ensuring up-to-date data was available. There was little evidence in our project sample of project-level evaluation and some projects felt unsure as to how they could access practical help on integrating the Cross-Cutting Themes into project implementation.

Recommendation 28: WEFO needs to be more rigorous in its insistence on financial and monitoring returns being received. Where difficulties cannot easily be resolved, face-to-face meetings between project sponsors and WEFO staff should be encouraged.

Recommendation 29: Clearer guidance needs to be provided to projects on the need for project-level evaluation and rules relaxed to ensure that projects can undertake follow-up evaluation of beneficiaries etc, with funding form the project: external evaluation should be compulsory for large projects (those with grant over £1million) and arrangements put in hand for findings to be fed back to WEFO and to the relevant partnership.
**Recommendation 30**: The PMC should initiate discussions with the European Equality Partnership, the relevant Environmental advisors and the WDA to identify how a resource could be made available (including Technical Assistance) to provide practical advice to individual projects on integrating the Cross-Cutting Themes into project implementation.

**Other recommendations**

Evidence from our project sample and the process evaluation suggested that Key Funds were seen as a way of ensuring smaller projects could receive benefits from the Programme without being subject to the burden of the full application process. More generally, we believe it is important to be realistic to potential applicants about what is involved with the process, even after some simplification is achieved.

**Recommendation n):** The PMC should continue to encourage key fund approaches, particularly in respect of Priority 3, Priority 5 Measures 4 and 6 and, subject to resources, in Priority 4, Measure 2. Smaller projects — those applying for less than £50,000 of grant — should only be encouraged where these are unlikely to involve complex administration (e.g. feasibility studies).

**Recommendation o):** WEFO should flag up clearly in guidance that the application process is a long one and may be expected to take 6 months.

Our process evaluation revealed continued concerns over the private sector perception of the Programme, largely as a legacy of the way in which the Programme was portrayed before its inception. Evidence from our project sample (including the ERDF/EAGGF beneficiary survey) and more anecdotal evidence from the process evaluation suggested that projects funded by Objective 1 but delivered through intermediary organisations were not always visible to the final recipient.

**Recommendation p):** The PMC needs to acknowledge that private sector led projects will be the exception, not the norm, although the work of the Private Sector Unit should be encouraged. Greater efforts should be made to ensure that revenue projects receiving funding under Objective 1 clearly badge this in delivering services to SMEs and individuals.

Our project sample suggested that, despite the increased contact between WEFO and both partnerships and project sponsors, there was still some unevenness in the approach to different parts of the Programme.

**Recommendation q):** The appraisal of ESF projects needs to be strengthened: this may need a further increase in staff resources in this team.

**Recommendation r):** WEFO should try to ensure that staff attending local partnerships routinely seek advice and provide feedback to colleagues with more specialist expertise, so that problems with projects at proforma stage can be flagged up more quickly.

The process evaluation suggested that most partnerships felt that they were functioning well, but revealed some frustration at the rigidity with which the guidance on gender
balance and the "thirds" were applied, and some feeling that it was difficult to secure the right level of participation in partnership work.

Recommendation s): While the principles of the "thirds" and of gender balance need to be broadly maintained, latitude needs to be allowed to partnerships to ensure that they have a quorum of engaged members and that they have the appropriate skills to consider the range of projects before them.

Recommendation t): Administrative procedures need to be reviewed to ensure that they encourage participation in partnerships from the voluntary/community and social partners: for example, rules regarding expenses for voluntary and private sector members should be equivalent to those for public sector officials.

Recommendation u): WEFO should ensure and, where necessary, facilitate training for local and regional partnership members on project selection, with a firm emphasis on what should be the key role for partnerships - strategic fit and "proof of concept".

Our project sample and the process evaluation also identified a number of more minor ways in which projects' experience of Objective 1 could be improved.

Recommendation v): In association with developing a new ESF application form, WEFO should drop the requirement for ESF projects to provide Public Match Funding Certificates, although, in line with ERDF/EAGGF/FIFG evidence of the source of match-funding should be provided with the application.

Recommendation w): WEFO needs to ensure that "sponsoring" partnerships are notified when projects receive approval.

Recommendation x): WEFO should consider with the Commission whether it is possible to increase the intervention rate for projects which have been approved at less than the maximum for the measure, where match-funding, particularly in kind, proves less than anticipated and should address technical issues which prevent the full extent of match-funding and revenue generated being declared.

Recommendation y): In the case of ESF, projects’ attention should be drawn to the standard templates for beneficiary hours etc. on project approval. A standard beneficiary database might also be developed, drawing on best practice amongst existing project sponsors.