

Details of Regional Competitiveness & Employment Public Consultation Responses

The Vision

Of the 33 responses received, 26 agreed with the overall vision for East Wales, as outlined in the consultation documents. The remaining 7 gave no answer.

The Analysis and SWOT

Out of the 33 responses, 20 agreed with the analysis of strengths, weakness, opportunities and threats, while the remaining 13 provided no specific answer to the question.

5 respondents would have liked to see more emphasis on transport within the ERDF Programme. Some respondents commented that they would welcome further details on the disparities between the different areas contained within the East Wales region. Others called for more emphasis on the importance of Tourism and Higher Education in the region.

The Strategy

Out of the 33 responses analysed thus far, 7 did not answer the question, 23 agreed with the strategy whilst 3 did not agree.

Comments included: that the role of sustainable transport was recognised but was not developed in the programme; the need to ensure that Spatial Plan groups are 'fit for purpose'; and that the contribution of Higher Education (HE) was "seriously undervalued" in the Programme.

Monitoring and evaluation strategy

Of the 33 responses 19 agreed with this question, 1 disagreed while 13 gave no answer.

Comments included: support for the approach of having fewer, better, more focused priority level indicators; and that there was incongruence between the programme level indicators and priorities of the programme.

Innovative actions and trans-national activities

Of the 33 respondents 21 had some suggestions for relevant themes, whilst 12 gave no answer.

Innovative actions suggested included: integrated transport, digital collaboration, NEETs and Pathways to employment. Comments on transnational activities included: the need to build on previous successful European cooperation projects e.g. those through (especially) EQUAL,

URBAN and INTERREG. Also need to build on TASK (themes included knowledge-based regional economies and technological innovation).

The Priorities

ESF Priority 1 – Increasing employment and tackling economic inactivity: Some respondents commented: that they would like to see more reference to young people under the age of 16 years; and more focus on higher level skills rather than basic skills.

ESF Priority 2 – Improving Skills: Some respondents called for increased emphasis on support for skills for specific sectors of the economy.

Cross Cutting Themes – Equal Opportunities and Environmental Sustainability

Equal Opportunities: Overall, 18 respondents agreed with the proposals, and 8 agreed with some aspects but disagreed with others. The remaining 8 made no comment or didn't refer to the theme.

It was stressed that the principle of equal opportunities needs to be integrated into all aspects of the running of the programme from the start and that early specialist support to project developers in determining aims and objectives and planning implementation was crucial.

Environmental Sustainability: Overall, 18 respondents agreed with the proposals, and 8 agreed with some aspects but disagreed with others. The remaining 8 made no comment or didn't refer to the theme.

One respondent believed the detail regarding environmental sustainability in the Operational Programme to be insufficient, particularly compared with that given to equal opportunities.

Implementation arrangements

Spatial targeting: Out of the 34 responses received, 17 agreed with the need for a degree of spatial targeting, 5 disagreed, and 12 offered no comment or didn't answer the question as asked.

Proposal for a single PMC: Out of the 33 responses received, 18 agreed with the proposals for the Programme Monitoring Committee, 4 disagreed, and 11 offered no comment or didn't answer the question as asked. However, a number of comments and observations were listed such as assurances sought that Regional Competitiveness & Employment would be given sufficient consideration at PMC meetings.

Strategic Implementation: With regards to the proposals for strengthening strategic implementation, out of 34 responses received, 23 were in agreement with the question, 1 disagreed, and 10 offered no comment or didn't answer the question as asked. On the issue of whether delivery mechanisms should

be the same as those proposed for the West Wales and the Valleys Programmes, 13 agreed, 0 disagreed, and 21 offered no comment or did not answer the question as asked.

Changes to the Programme as a result of the consultation responses

Analysis: Revisited with the East Wales dimension strengthened

Strategy: Alignment between the Analysis and Strategy strengthened

Priorities: Strategy and Priorities amended and sharpened. Individual themes removed; key disadvantaged groups identified under the employment and economic inactivity priority and sectors identified in the Skills priority.

Table 1 - List of respondents (page below)

Respondents	
Arts Council for Wales	Monmouthshire County Council
Big Lottery Fund	National Museum of Wales
British Waterways	North East Wales Institute of Higher Education (NEWI)
Capital Region Tourism	Newport County Borough Council (CBC)
Cardiff Council	Opportunity Wales
Careers Wales	Powys Council for Voluntary Action
Chwarae Teg	Powys County Council
Community Transport Association (CTA)	Remploy Ltd
Countryside Council for Wales	Royal Institution of Chartered Surveyors (RICS)
Deeside College	RSPB
Education, Lifelong Learning and Skills Committee	South East Wales Transport Alliance (Sewta)
Enterprise, Innovation and Networks (EIN) Committee	Skills for Business Network
Environment Agency Wales	Tourism Training Forum Wales
ETC Ltd	University of Wales Newport
European and External Affairs Committee	Vale of Glamorgan Council
Fairbridge	Wales Centre for Health
Flintshire County Council	Wales Council for Voluntary Action (WCVA)
G4S Justice Services	Welsh Local Government Association (WLGA)
HEFCW	Wrexham Children's Information Bureau
Job Centre Plus	Wrexham County Borough Council (CBC)

There is also the need to focus on up-skilling and re-skilling if we are to see wider choices and options available to workers over 55 years of age.

7. Disabled people comprise a large proportion of incapacity benefit claimants and there are several key areas of disadvantage that act as barriers to inclusion in the labour market, including transport, skills and opportunities to gain qualifications. There has been an international move towards a rights based approach in the disability policy field, based on the notion of right rather than charity, and an accommodation of difference rather than a compulsory adjustment to an artificial norm. Therefore the limitations faced by disabled people should no longer be linked to their disability, but to society's inability to provide equality of opportunity to all. EU General Regulation 1083/2006, Article 16 highlights the need to ensure disabled people have the opportunity to participate and benefit from the operations financed by Structural Funds.

8. A key strategy will be to ensure early and active intervention and support which helps disabled people become employable and not to define themselves as unable to work before they have accessed such interventions. Support mechanisms need to be ongoing and integrated into a wide range of employment programmes to ensure that disabled people are able to remain in employment. It is important to acknowledge that the population of people who are disabled are extremely heterogeneous. An individual's limitation/s may result from a wide variety of impairments that have differential impacts on their participation in society. Therefore solutions should not be based on traditional assumptions or stereotypes, but on the particular need of the individual. As with other marginalised groups, changing the attitudes of employers towards disabled people, opening up access to employment is crucial if disabled people are to be fully integrated within their communities. Disabled people also represent a source of untapped potential to the development of economic growth.

9. While care needs to be taken when interpreting the figures for the Black and minority ethnic (BME) population across Wales, due to the sample size, there has been an increase in the numbers of people from a BME background registering as unemployed since 2001, and 14,000 individuals from a BME background are registered as being economically inactive. Recent evidence investigating the differences in labour market outcomes of BME individuals in England and Wales and the reasons for these differences, suggests that a contributing factor could be, as BME individuals tend to live in disadvantaged areas they pay a labour market penalty. This would tie in with findings on rural and urban deprivation and whilst rural deprivation is a real issue in Wales the deprived areas of East Wales are urban, predominately in the cities of Cardiff and Newport and the most deprived area in the whole of Wales is Butetown in Cardiff, which also has a higher percentage of it's population from BME groups.

10. Account also needs to be taken of the differences in activity levels between minority ethnic groups and men and women. For example, using census 2001 information, the overall economic activity rate for Bangladeshi men (83%) was slightly higher than the average for the white male population (82%). By contrast, the economic activity rate for Bangladeshi women was 22%, around a third of the rate for white women, indicating that individuals from some minority ethnic groups

priority objectives and actions⁶. The Roadmap builds on the experience of the Framework Strategy for Equality between Women and Men for the period 2001-2005⁷. It combines the launch of new actions and the reinforcement of successful existing activities. It reaffirms the dual approach of gender equality based on gender mainstreaming (the promotion of gender equality in all policy areas and activities) and specific measures.

15. Whereas significant progress has been made towards gender equality, with many women attaining the highest levels in education, the labour market and becoming important players in public life, inequalities still remain and may widen, as increased global economic competition requires a more flexible and mobile labour force. This can impact more on women, who are often obliged to balance the demands of having children or a career, due to a lack of flexible working arrangements and care services, the persistence of gender stereotyping and an unequal share of family responsibilities. Progress made by women, including in key areas of the Lisbon Strategy such as education, and research, are not fully reflected in women's return to work⁸. The Lisbon targets call for a 60% employment rate for women by 2010. Of particular note is the fact that the employment rate for women of working age in East Wales is already over the target set by the Lisbon agenda.

16. Despite the UK having had legislation on equal pay since 1970, women in the UK earn on average 19% (full-time pay) less than men⁹.

Table 1 - Female hourly earnings excluding overtime as a percentage of male hourly earnings

	1999	2000	2001	2002	2003	2004 (a)	2005 (a)
West Wales and the Valleys	86.7	85.6	89.6	87.0	88.6	89.8	88.0
East Wales	83.6	85.7	84.0	82.6	85.0	84.0	88.3
Wales	85.2	85.5	86.8	84.8	86.5	86.7	87.9
UK	79.5	79.7	80.0	79.9	80.6	82.2	82.8
UK excluding London and the South East	80.5	80.8	81.3	81.2	82.0	83.9	84.6

17. This persistent pay gap results from direct discrimination against women, structural inequalities, such as segregation in sectors, occupations and work patterns, access to education and training, biased evaluation and pay systems, and stereotypes. The average difference between male and female earnings across the UK is greater than across the average for the EU25. In 2004, average

⁶ The European Commission's Roadmap for equality between men and women: [Europa.eu.int/comm/employment_social/news/2006/mar/com06092_roadmap-en-pdf](http://europa.eu.int/comm/employment_social/news/2006/mar/com06092_roadmap-en-pdf)

⁷ Framework Strategy for equality between women and men 2001-2005: http://www.ec.europa.eu/int/comm/employment_social/gender-equality/index-en.html

⁸ The European Commission Roadmap for equality between men and women, as above.

⁹ Equal Opportunities Commission: <http://www.eoc.org.uk/Default.aspx?page=17459>

gross hourly earnings for females were some 78% of the average male rate, compared to 85% across the EU25. The gender pay differential in East Wales along with Wales as a whole is less than in the UK, but both women and men in Wales earn less than the UK average. It is also worth noting that the 12% pay gap rises to 31% for part-time women, and despite the improvements Welsh women have seen in earnings, a pay differential still exists. Tackling the problem of the gender pay gap will need an approach that is multifaceted and brings together different partners.

18. Across the EU, women constitute on average 30% of entrepreneurs, and often face more difficulty than their male counterparts in starting up businesses and in accessing finance and training. In Wales, the gender gap between male and female entrepreneurial activity has widened in recent years. It has been suggested that if Wales had the same proportion of women involved in new business ventures as men, then almost 30,000 new businesses would have been created in 2005¹⁰. The *EU Entrepreneurship Action Plan* recommends increasing women's business start-ups via better access to finance and the development of entrepreneurial networks.

19. The participation of women in science, technology and management can contribute to increasing innovation, quality and Regional Competitiveness & Employment of scientific and industrial research, and therefore needs to be promoted. In order to reach the European Research Council's 7th Framework programme target of 25% women in leading positions in public sector research, innovative mechanisms need to be found and progress monitored.

20. It is important to ensure that women retain lifelong contact with the labour market where they wish to do so, break out of stereotypical employment roles and learn new skills. Opportunities in the labour market are still shaped by gender. Indeed, the labour market is characterised by horizontal, vertical and contractual segregation. The Equal Opportunities Commission's (EOC) investigation into occupational segregation demonstrated that recruiting from only half of the labour force limits opportunities for individuals, businesses and the economy overall.

21. Employers are missing out on much needed talent and are struggling to fill vacancies. In the construction industry, for example, two out of five vacancies are the result of skill shortages, nearly twice the national average. Only one in 100 construction workers are women, demonstrating missed opportunities¹¹. Seven in ten employers in engineering, childcare and IT stated that taking on more recruits of non-traditional sex could help them meet skills shortages¹². The EOC have concluded that gender imbalance not only still exists, but also that both small and larger workplaces in Wales are more segregated than those in England and Scotland.

¹⁰ Global Entrepreneurship Monitoring GEM University of Glamorgan and UWCC: www.gemconsortium.org/document.asp?id=436

¹¹ EOC Commissioned report into Occupational Segregation, Skills Gaps and Pay Gaps, Miller et al 2004: <http://www.employment-studies.co.uk/summery/summery.php?id=eccwps15>

¹² Ibid

22. Women and men also tend to work in different industries. For example, within East Wales and Wales as a whole, women are over represented in service sector industries¹³. Some 75% of Welsh women work in cleaning, catering, caring, clerical and customer services¹⁴. Added to the horizontal segregation is the tendency for women and men to work at different levels within the same industries. In the NHS in Wales, 75% and 20% of all staff and hospital consultants respectively, are women¹⁵. To combat this labour market segregation, it is important to facilitate women's entry into non-traditional sectors, to promote men's presence in sectors traditionally occupied by women, and to explore the reasons why women do not progress in employment.

23. Girls significantly out-perform boys at GCSE level, with more and higher-grade qualifications. In higher education, the balance has shifted to the point where the majority of full-time undergraduate and post-graduate students are female¹⁶. However, the pay gap continues due, in part, to job segregation. Girls and boys continue to make traditional career choices in line with their peers and gender expectations. Focus needs to be placed on combating gender stereotypes from an early age, providing awareness training to teachers and students, and encouraging young women and men to explore non-traditional educational paths. Combating gender stereotypes within the school setting may also help with the struggle many gay and lesbian pupils face in mainstream education¹⁷.

24. Europe is facing a shrinking working age population, low birth rates and a growing, older population. More flexible working practices will not only help boost productivity, but will also enable people to enter and remain in the labour market. Work-life balance arrangements form an essential part in addressing the challenges of demographic decline, including the need to offer more affordable and accessible childcare facilities, as required by the Barcelona targets¹⁸, and provide services that meet the care needs of the elderly and other groups of special interest.

25. Many mothers and carers work part-time for low pay; they cannot find higher skilled work in line with their abilities that is compatible with family responsibilities, and could contribute more to economic productivity. This is a vicious circle, which compels fathers to work long hours and is a barrier to men taking on caring responsibilities. Women remain the main carers of children and dependants, and where reconciliation policies are available men are still slow to take up opportunities, such as parental leave or part time work.

26. An ageing population makes it increasingly likely that more people will be taking on the role of help and support for older people. The challenge is to allow

¹³ Public Administration, Education and Health, Distribution, Hotels and Restaurants and Banking, Finance and Insurance.

¹⁴ Ibid

¹⁵ Ibid

¹⁶ Ibid

¹⁷ The Bullying of Sexual Minorities at School: Its nature and long term correlates, Rivers I 2001:

<http://www.stonewall.org.uk/education-for-all/resources/552.asp>

¹⁸ Barcelona targets: http://ec.europa.eu/employment-social/employment-analysis/work/exit_en.pdf

carers to balance work and family life so that they can work to their full potential, especially if Wales is to meet the UK target of 80% employment¹⁹.

¹⁹ UK Employment Targets: <http://www.hm-treasury.gov.uk>

Annex B: Equal Opportunities Matrix Regional Competitiveness & Employment

ESF Priority 1: Increasing employment and tackling economic inactivity

Equal Opportunities objective	
<p>Decrease the number of people who are inactive and support them into training and employment</p>	<p>Additional support for people to move into employment: advice on learning and employment opportunities, job search, financial incentives, work experience, voluntary work and work placements.</p> <p>Support for sector or job specific training to meet the needs of the local market.</p> <p>Specialist support for disabled people and those with work-limiting physical and mental health conditions to enter employment.</p> <p>Support for joint activities which promote the engagement of disabled people.</p> <p>Collaborative work with other agencies, including GPs and health professionals.</p> <p>Support for workplace health programmes and work - life balance practices.</p> <p>Support for targeted engagement aimed at disadvantaged communities to promote generic and key skills.</p> <p>Support for targeted engagement aimed at young people who are NEET (not in employment, education or training).</p>
<p>Increase the number of women, Black and minority ethnic people and disabled people securing training and</p>	<p>Support specialist community engagement to engage and encourage people to consider achieving additional skills.</p>

<p>employment in higher paid and higher skilled sectors and self employment</p>	<p>Support for targeted mentoring services for groups facing multiple disadvantage.</p> <p>Support for mechanisms which give access to affordable and appropriate care support.</p>
<p>Challenge gender role stereotyping by increasing the number of women and men moving into non-traditional areas of employment</p>	<p>Support for mechanisms which give access to affordable and appropriate care support.</p>
<p>Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring systems and methods of feeding in improvements</p>	<p>Support for employers, including advice and mentoring services, to widen their recruitment pool and offer work placements to disadvantaged groups and those facing multiple barriers.</p> <p>Support for employers to develop and monitor equal opportunities policies and practices, including flexible working practices.</p> <p>Support for strategies which support employers to proactively promote a diverse workforce.</p> <p>Support for activities jointly undertaken which promote corporate responsibility in the area of equality.</p> <p>Support for joint activities aimed at raising awareness and management support for disabled people.</p>

ESF Priority 2: Improving skills levels and the adaptability of the workforce

<p>Equal Opportunities objective</p>	
<p>Decrease the number of people who are inactive and support them into training and employment</p>	<p>Support for low skilled workers in employment to raise their skills level, (particularly basic skills) and progress.</p> <p>Support for mechanisms which assist people to identify, transfer and register their skills.</p> <p>Support for activities which offer training provision in areas where there are identified skills shortages.</p> <p>Support for language training for non-native speakers of Welsh / English where employment opportunities in the local labour market would be enhanced, including language skills for migrant workers.</p> <p>Targeted support for older workers, disabled people and those who need to make career changes to help them remain economically active.</p>
<p>Increase the number of women, Black and minority ethnic people and disabled people securing training and employment in higher paid and higher skilled sectors and self employment</p>	<p>Language training support for non-native speakers of Welsh / English to enhance their employment opportunities in the local labour market.</p> <p>Support for mechanisms which assist people to identify, transfer and register their skills.</p> <p>Support for leadership and management development programmes.</p>

	<p>Support for targeted interventions which remove barriers specific to BME people gaining skills and advancement.</p>
<p>Challenge gender role stereotyping by increasing the number of women and men moving into non-traditional areas of employment</p>	<p>Support for specialist employment advice for women who face multiple disadvantages; i.e. BME women, disabled women, lesbian women and older women.</p> <p>Support for specialist and support for part time workers.</p> <p>Support for targeted interventions for women and men to tackle gender segregation. Targeted support to remove barriers to women's full participation in employment, training and education, including apprenticeship schemes, women into science and technology, and management schemes..</p> <p>Support for specialist employment advice through the medium of Welsh to increase the employability of Welsh speaking women.</p> <p>Support for child / adult care provision in order to meet the needs of the working carer.</p>
<p>Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring systems and methods of feeding in improvements</p>	<p>Support for employers to widen their recruitment pool to ensure a diverse workforce.</p> <p>Support for joint activities which promote equality and diversity within the workplace.</p> <p>Support for employers to develop and monitor equal opportunities policies and practices, including flexible working practices and work, life, balance.</p> <p>Support for employers to develop management tools that enable women to more readily progress their careers.</p>

	<p>Awareness raising and general support for employers to encourage older workers and other vulnerable groups to remain in employment, for example, through flexible working practices.</p> <p>Support for employers and learning providers to develop mechanisms that challenge traditional attitudes to male and female employment.</p> <p>Support for leadership and management development, including training which promotes equality of opportunity.</p>
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Annex C: RCE OP Environmental Sustainability Matrix

Analysis of the effects of the two Priorities on the Environmental Sustainability cross cutting objectives

P 1: Increasing employment and tackling economic inactivity	P 2: Improving skills level and the adaptability of the workforce
Positive effects of support for improving awareness and understanding about the environment, and environmental recreation that promotes healthier lifestyles and the role of individuals and businesses to protect and improve the environment.	Positive effect of the development of new training and education programmes to fill gaps in provision to deliver specialist environmental sustainability skills
Across both Priorities Negative impacts of increased transport can be minimized by sensitive location of training course and outreach provision where appropriate. Potential increase in use of energy and raw materials will be offset through promotion of energy efficiency, recycling and environmental management systems. Positive effect of integrating sustainable development into supported awareness raising, training and education programmes	

Lessons Learnt Summary

1. As part of the Ex Ante Evaluations, DTZ has reviewed previous evaluations of the current round of European Structural Funds (SF) Programmes at the Welsh, UK and European level in order to identify key conclusions and lessons learned. The paper focuses on information relevant to the design of the 2007-2013 Programmes, rather than on conclusions and recommendations that are very specific to a particular set of programme circumstances.

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

3. The papers reviewed are listed in the Bibliography in Chapter 2 – Analysis, in the main Operational Programme document and in Annex E – the Ex Ante Evaluation. These include:

- The MTEs and MTEUs of the Structural Fund Programmes in Wales carried out in 2003 and 2005 respectively
- A selection of the MTEs and MTEUs of Structural Fund Programmes across the rest of the UK, carried out in 2003 and 2005 respectively, focusing especially on Objective 1, 2 and 3 Programmes. These were selected to provide a good spread across the country and across Programmes as well as covering a selection of MTEs and MTEUs.
- Other WEFO, UK and European Commission reports as shown in the attached bibliography.

Summary of key conclusions and recommendations

Below are summarised the key conclusions and recommendations relevant to the development of the 2007 – 2013 Structural Fund Programmes in Wales.

Appropriateness of Programme Strategies

- To be most effective, programmes need to be closely aligned to national and regional economic development strategies and to the key aims of organisations delivering these strategies.
- There needs to be sufficient flexibility in the programmes to adapt to changed national and regional contexts and socio-economic conditions as well as taking into account any overlaps and duplications with other funding programmes which emerge in the course of the programming period. There should be a pro-active approach to reviewing of the programmes to ensure that required changes are anticipated.
- For the 2007 – 2013 programming period, the Commission has decided that the designation of Measures is no longer required. The use of Themes in the programmes is conducive to helping define the kind of projects

which will be supported under each Priority but care needs to be taken that Themes will not limit the flexibility of the programmes.

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

Programme performance

- When setting results and impact targets, care should be taken to ensure that these can be realised within the programming period timeframe. Whilst overall, it is desirable to measure the results and impacts of the programmes, the monitoring system and the choice of indicators (and associated targets) are in many cases not the most appropriate way to measure longer-term effects.
- It is useful to retain a degree of flexibility in the allocation of funds to ensure that funding can be targeted at those areas where additional activity is required to meet targets.
- With regard to design and measure of targets and indicators, it is key that the labour market status of beneficiaries is recorded at the outset of the project so that differentiation between outcomes achieved for individuals with varying employment/unemployment status can be identified.
- Following on from this, it was learned that projects aimed at tackling unemployment and inactivity seem to be more successful in helping people to move into paid employment from unemployment than from economic inactivity, probably indicating different distances of individuals from the labour market.
- Project sponsors appear to over-estimate success rates associated with their intervention in terms of moving people into employment.
- As regards 'soft outcomes' there is still considerable uncertainty about how to measure soft outcomes, such as promoting project participants' self-confidence, and how they affect labour market outcomes. For the new programming period, it will be important to provide easily accessible guidance to relevant projects from an early stage.
- In terms of workforce development, there needs to be clarity on aims and objectives, determining whether the key aim is to provide businesses with the skills needed or to help disadvantaged groups in the labour market.
- Programme targets for a number of new SMEs being assisted are not being met. This indicates that the whole area of support for business start-ups or recent start-ups needs to be considered carefully to determine how Structural Funds can effectively contribute in this area.
- When setting targets associated to the development of new business premises, the long time span in terms of realised impact should be taken into account. Benchmarks could be derived from the experience in the last round of programming.

Indicators and targets

- Indicators need to be defined at the outset and it is critical to ensure that all indicators are meaningful by (for example) using indicators already in use in the delivery of similar programmes as well as drawing on the EU guidance available. In this respect, guidance needs to be supplied at the outset to encourage the correct usage of indicators, with a specific focus on hard-to-measure results and impact indicators.
- A smaller number of indicators would help to encourage consistency in monitoring and improve data quality. It was found that in the East of Scotland considerable streamlining of indicators took place in this respect.
- To avoid double-counting between projects, a database should be established in Wales which identifies final beneficiaries (SMEs/Individuals)
- Projects should be encouraged to monitor targets over and above the minimum requirements.

Implementation systems

Partnerships and Private Sector Involvement

- In Wales, the Partnerships worked well and have built up expertise and capacity, providing a good foundation for the next programming period.
- To enable partnerships to work efficiently, there needs to be a clear understanding on all sides of the roles and responsibilities. Ongoing training would help to support the partnership process.
- Structures should be put in place to encourage sharing of good practice between partnerships.
- Continuing effort is required to involve the private sector in the partnerships and in sponsoring projects.

Administration, Process and Financial Management Issues

- While there is a clear requirement by the Commission to track what happens to the Structural Funds, wherever possible administration should be minimised and processes dovetailed with existing mechanisms already used by project sponsor organisations.
- Data on the cost of implementing the projects needs to be collected systematically. This data needs to be fine grained enough to enable assessments of cost efficiency and effectiveness.
- Application forms for funding need to be as simple as possible and the application process needs to be accompanied by further guidance and support, including the application process and feedback on the application.
- A common template which records information on each project consistently at the outset would assist in monitoring and evaluation throughout the Programme period.

- Simplification of the financial requirements would ease the burden on projects and could improve compliance with audit requirements.
- Simplification of the claims forms is likely to improve return rates and compliance with monitoring requirements
- There should be clear and consistent guidance on how projects should publicise the funding received, including how information is relayed to final beneficiaries.

Ongoing Project-Level Implementation

- There should be a particular focus on working with established and successful project sponsors to maximise the benefit from the expertise they have acquired.
- Training for projects in Structural Fund project management would be useful in ensuring that good project management practices are followed
- Disseminating good practice should be a core activity. This will not only enable the ongoing improvement of implementation but will also ensure that the funds can leave a longer term legacy by influencing national and regional policy.

Monitoring and Evaluation

- Systems need to be put into place to enable projects to measure qualitative outcomes more consistently.
- Easy-to-use monitoring guidance for projects and project sponsors, summarising the requirements and setting out why and what is monitored, and what projects and project sponsors are expected to contribute to ongoing monitoring would enhance monitoring.
- Providing online systems and database templates for the submission of monitoring data would encourage timely, consistent and comprehensive submission of data by the projects, including data on beneficiaries (firms or individuals).
- A higher degree of project evaluation will require building evaluation capacity.
- Projects above a certain size should be required to carry out evaluations. Guidance should be provided to all projects to ensure consistency.
- An Evaluation Plan (or Monitoring and Evaluation Framework) should be set out at the outset of the Programmes.

Contribution to Lisbon and Cross Cutting Themes

- As regards progress towards Lisbon Objectives, measuring the outputs, results and impact associated with Information Society projects requires further guidance.
- Interventions aimed at supporting companies in developing innovation and investing in R&D have tended to be more effective in safeguarding existing jobs rather than creating new jobs. New company creation in the high technology sector has been disappointing.
- Interventions aimed at improving ICT skills of individuals should make the links between these skills and the local labour market needs explicit.

- As regards the CCTs, building on good practice in Wales, the CCTs need to be integrated into programme design to ensure that they are considered within projects from the outset rather than as an add-on.
- Having Thematic Advisory Groups and dedicated officers helps in the implementation of the CCTs.
- Providing case studies and guidance helps to embed the CCTs across the programmes.

National Assembly for Wales

**Ex Ante Evaluation of the 2007 – 2013
ESF Competitiveness Programme
Final Report**

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Private and Confidential



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EXECUTIVE SUMMARY

This document is the final report of the Ex Ante Evaluation of the 2007 – 2013 ESF Regional Competitiveness and Employment Programme for East Wales (EW), carried out by DTZ on behalf of WEFO. This summary provides an overview of each chapter, including the main conclusions and recommendations.

It is worth highlighting at this point that the ex ante evaluation process has been characterised by an ongoing, iterative dialogue between WEFO and DTZ, with outputs from each stage of Programme development and evaluation feeding through into the next. The nature of this document is reflective of this process, and of the extent to which WEFO has implemented the vast majority of recommendations, or have committed to implementing recommendations outwith the Operational Programme document. Each chapter provides an overview of the recommendations that were made and whether these were implemented.

As far as possible we have kept the contents of the main body of the report relevant to the most recent version of documents provided to DTZ and have placed historical content into Annex D.

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

Each element of the Ex Ante Evaluation is covered in detailed chapters, as summarised below.

Chapter 1 provides an overview of the study brief and the requirements of the Ex Ante Evaluation, and details the methodology and approach of the evaluation process. Our approach has been to make the Ex Ante Evaluation as formative as possible while acknowledging that much of the OP design has been guided by a wider partnership. Throughout the evaluation there was ongoing dialogue between WEFO and DTZ. One or more drafts of each element of the Programme were supplied to DTZ and recommendations were made with a view to strengthening the Programme and making its provisions as clear, consistent and strategic as possible.

It is concluded that the process of producing the Programme and carrying out the Ex Ante Evaluation has followed the requirements of the Draft Working Paper on Ex Ante Evaluation (European Commission, October 2005) that the process be an interactive and iterative process.

Chapter 2 provides an appraisal of the analysis of the labour market conditions in East Wales. DTZ appraised two earlier drafts of the Analysis and noted that the Analysis did not adequately identify the issues and challenges facing EW. The Analysis is important to the Programme as it is designed to identify the issues that the Programme needs to address. The limitations of the Analysis thus impacted on the Programme. WEFO accepted this comment and the Analysis was subsequently revised. DTZ concludes that in the third draft presented in the OP the vast majority of recommendations have been implemented and that the Analysis now presents a strong basis for the Programme Priorities. There are few recommendations that remain outstanding, although none are considered substantive, with the exception of developing a forward-looking analysis in respect of population change and expected demographic changes. This would improve consistency with EU regulations and guidance. Further details of the implementation of recommendations are contained in Chapter 6.

Chapter 3 assesses the Strategy and the aims and objectives of the Programme. DTZ has found that, in general, the strategy is well developed and in the most part there are clear linkages between issues and challenges

faced in EW and the Programme Priorities. DTZ had previously recommended that the link between the Priorities and the Analysis needed to be strengthened. WEFO has revised both and DTZ consider that the revisions to the Analysis and the Priorities have strengthened the Programme considerably and that the OP presents a clear and reasoned argument for intervention. WEFO has implemented DTZ's recommendation that the Programme needs to ensure that there is an appropriate level of targeting, given the relatively small budget. WEFO has detailed how the Programme will add value to national mainstream interventions and has made clear in the OP that the Programme will not duplicate existing interventions. There is a high degree of internal consistency. Chapter 6 details some of the main changes that WEFO has implemented and further detail is presented in Annex D.

DTZ continues to recommend that the OP should carefully consider how best to focus Priority 2 to ensure that the difference between interventions aimed at enhancing skills to improve an individual's employability and enhancing skills to support productivity growth is explained. Consideration should be given to the differing focus of these two forms of intervention. Overall, the proposed interventions are tried and tested and DTZ consider that the policy risk is low. There may be scope to review whether the mix of risk and impact are appropriate and whether riskier policy could be incorporated within the existing Priorities that may have a greater impact.

Chapter 4 reviews the degree of consistency between the Programme and other national, UK, and EU strategies and policies. DTZ found that there was a high degree of fit between the Programme and these other strategies and policies. The Programme is focused on increasing employment and enhancing workforce skills. This has a strong degree of fit with the Lisbon Agenda of creating more and better jobs. DTZ had previously recommended that the Programme increased its focus on higher level skills in order to better address the issue of raising value-added per job in EW. WEFO accepted the recommendation and greater emphasis has been placed on the development of skills beyond the basic skills agenda. This has enhanced the Programme's consistency with the ERDF Competitiveness Programme, in particular improving knowledge and innovation for growth. There is scope to further

enhance the Programme fit with the ERDF Competitiveness Programme, although DTZ accept that a degree of flexibility is required.

Chapter 5 gives an appraisal of the Programme implementation, monitoring and evaluation arrangements. The Implementation chapter of the OP sets out a high-level description of the proposed implementation arrangements. In setting out these arrangements, WEFO can draw from its experience of implementing the Programmes in the last round of funding. It is thus entirely appropriate that some of the provisions are kept relatively general. However, in areas where there is significant change or where shortcomings were identified in the last round of funding, it would be useful if the document clearly identifies what the issues were and how the changes in this round of programming will address them. In particular, it was recommended that the rationale for introducing such changes as the new electronic Knowledge Management system (PPIMS) and the creation of Strategic Frameworks should be explored in more detail. WEFO agreed with both these recommendations and subsequently included a new PPIMS section in the OP.

Further, the section on partnership arrangements and Strategic Frameworks has been revised and now addresses many of the recommendations DTZ made with regard to detailing the risk involved with introducing a new Programme delivery system, providing more detail on how the Programme Management Committee (PMC) will be constituted, and outlining the allocation of tasks within the Strategic Framework implementation.

Chapter 6 sets out the main recommendations made by DTZ and a description of the extent to which WEFO has implemented the recommendations made. It is important to emphasise that the vast majority of recommendations have been implemented. As most recommendations were implemented, the chapter generally discusses the more substantive recommendations made and areas where WEFO has decided not to implement recommendations. The detailed record of recommendations is contained in Annex D.

Chapter 7 provides overall conclusions and recommendations on the process and findings. DTZ concludes that the ex ante evaluation process has worked well and that the final OP illustrates how the interactive and iterative process

between DTZ and WEFO has been effective in producing a more robust OP. The evaluation took place as an ongoing dialogue and the final OP is a sound and robust document that can serve as a basis for addressing the main labour market challenges of East Wales. There are a number of recommendations included in the chapter, which summarises the findings of the previous chapters, although DTZ do not consider that the recommendations outstanding are substantive.

There are several Annexes at the end of the document:

- **Annex A:** Bibliography
- **Annex B:** Lessons Learned
- **Annex C:** Environmental Report – An initial screening appraisal was carried out for both the ERDF and ESF Competitiveness Programmes. However, although it was concluded that a full report was required for the ERDF Competitiveness Programme, it was concluded from the screening process that the ESF Competitiveness Programme did not require a full SEA. This Annex therefore provides a statement to this effect.
- **Annex D:** Details of Recommendations

1. INTRODUCTION AND STUDY APPROACH

Chapter overview

- 1.1. This chapter provides an overview of the Ex Ante Evaluation of the 2007 – 2013 ESF Regional Competitiveness and Employment Programme for East Wales (EW). This chapter outlines the methodology employed to carry out the evaluation, and the approach taken by DTZ to working with WEFO in their production of the Operational Programme (OP). Under European regulations¹, the Programme is required to undergo an iterative evaluation process in which outputs from each stage feed through into the next stage.
- 1.2. For each element of the Programme WEFO supplied DTZ with one or more drafts, based on which DTZ made a number of recommendations relating to strengthening the robustness and validity of the Programme. The vast majority of comments and recommendations have been implemented by WEFO in preparing the OP. Further, WEFO has agreed to take forward many recommendations throughout the implementation, monitoring, and evaluation of the Programme. The content of the chapters within this document discuss the various stages of evaluation and Programme development, as well as the extent to which recommendations have been accepted and implemented.
- 1.3. In carrying out this evaluation, DTZ's approach has been to work closely with WEFO to ensure that the recommendations of the evaluation are incorporated in the development of the OP. This approach has enabled us to provide an Ex Ante Evaluation that goes beyond what is contained in this document, and the key outputs are evident in the changes to the OP that resulted from our ongoing involvement with WEFO.
- 1.4. Consequently, this report does not focus on the exhaustive list of recommendations and how these have been implemented by WEFO. While this detail is contained in Annex D, the main body of the report focuses on

¹ The Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 can be viewed from: <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2006:210:SOM:EN:HTML>

providing an overview of the key areas where recommendations were implemented and how these affected the OP.

Evaluation process and approach

- 1.5. In the main, from the standpoint of the evaluators the ex ante evaluation process has been very productive, with most suggestions and recommendations being implemented by WEFO. For each area of the OP, from the Labour Market Analysis through to the arrangements outlined by WEFO for implementing the Programme, WEFO provided DTZ with an initial draft. This was then appraised by DTZ and recommendations made. Revised drafts were then submitted by WEFO to DTZ. The process of evaluation has thus been an ongoing dialogue with outputs from each stage feeding into the next.
- 1.6. Further, WEFO was able to draw not only from their experiences of the last round of programming, but also from the considerable preparation which has gone on in the run-up to the new Programmes. An important factor has been the partnership arrangements (discussed in Chapter 4) which have guided the development of the new Programmes.
- 1.7. We have been conscious of the principle of partnership that has underpinned the development of the OP. Given the different viewpoint of an evaluator our recommendations have not always corresponded to the views of stakeholders. In many of these cases, we have asked WEFO to strengthen the underpinning rationale for inclusion of particular elements rather than recommending removal of those elements. For the OP to truly reflect partnership principles and local, regional and national priorities, we believe that it is critical that the ex ante evaluators do not completely 'dictate' what should be included in the OP but that they take into account the policy direction from these partnerships.
- 1.8. Similarly, it is important that an appropriate balance is found between the amount of detail required in the OP and the ability of the partnerships to react to changing circumstances and to flexibly implement the Programme as it develops over time. While in some areas we requested more detail, we

accept that there is a limit to how much detail can be productively included in the OP.

1.9. Our approach has been to work with WEFO as closely as possible, and to work as flexibly as possible to ensure that the requirements of the ex ante did not have a detrimental effect on the development of the OP itself by making additional demands on the time of those drafting the Programmes. During the evaluation, we met with all the key WEFO staff at different stages and we reviewed the chapters of the OP as they were drafted, often providing early thoughts and suggestions before providing our formal response. At the same an initial environmental impact screening appraisal was carried out by Royal Haskoning as a sub-consultant to DTZ. We also further developed a lessons learned paper based on an initial paper supplied by WEFO. Both of these documents are annexed to this report (see Annexes D and C respectively).

1.10. We also worked with WEFO to develop indicators and targets for the Programme. We worked together to agree on the best way to use the data available from the previous round of programming as well as other data sources.

Evaluation objectives

1.11. In carrying out the Ex Ante Evaluation, there are several areas and issues set out in the Commission's Draft Working Paper on Ex Ante Evaluation that the evaluators must address. It is imperative that the evaluation assesses the rationale of the Programme and seeks to answer whether it adequately addresses the needs of the area. This involved DTZ appraising the Analysis of the area to determine whether it used the appropriate data and drew valid conclusions from that data and thus correctly identified the key issues in the area. DTZ then assessed whether the Priorities of the Programme sufficiently reflect the key problems and areas of opportunity in EW. Recommendations were made regarding the content and approach of the Priorities.

1.12. Subsequently, DTZ assessed the internal consistency of the Programme to ensure that within the Priorities there was complementarity

and, as far as possible, an absence of gaps or duplications. The external cohesion of the Programme was assessed against other Welsh policies and strategies and the relevant UK and EU strategies, including the Lisbon Agenda.

- 1.13. As well as assessing the content, strategy and direction of the Programme, DTZ appraised the processes in place for implementing the Programme, including monitoring and evaluation arrangements. Again, this involved working closely with WEFO and providing recommendations on each draft of the OP.

Community added value

- Further, as highlighted in the Commission's Draft Working Paper on Ex Ante Evaluation, the Ex Ante Evaluation needs to assess the degree to which Community added value is maximised throughout the Programme. The concept of Community added value is defined on the basis of a range of criteria:
- Economic and social cohesion;
- Policy added value in relation to Community priorities;
- Financial added value, in terms of additionality and leverage effect;
- The added value of the Structural Funds method, including partnership, multi-annual planning, monitoring, evaluation and sound financial management; and
- Added value which stems from the exchange of experience and networking at a transnational, national or regional level.

- 1.14. Throughout the process, the ex ante evaluators have assessed the extent to which the Programme maximises Community added value, drawing on the Lessons Learned exercise, and have made recommendations guided by the concern to maximise Community added value. In line with the overall approach to this evaluation, this has been a dynamic process which has led to the vast majority of recommendations being implemented by WEFO before

finalising the Programme. The consideration of Community added value has taken place throughout and is thus integrated into the assessment of the Programme within the chapters commenting on each of the component parts of the OP.

Conclusions

- 1.15. As a result of the above-described methodology and processes we believe that the final OP has evolved to be a sound and robust document. It adequately identifies and seeks to address the relevant issues in order to fulfil the objectives for East Wales regarding economic, social and environmental progress. As such it will serve well as the key guidance document for the ESF Competitiveness Programme.

2. APPRAISAL OF ANALYSIS

Chapter overview

- 2.1. In order to help decide upon the Priorities for ESF intervention, the Assembly's Economic Advice Division (EcAD) undertook an analysis of the labour market conditions in Wales. DTZ appraised this analysis and suggested a number of changes to EcAD. The Analysis was revised and this second draft was appraised by DTZ. A third draft of the Analysis was then produced and this has also been appraised by DTZ.
- 2.2. DTZ appraised the Analysis according to the Structural Funds ESF regulations, the European Commission's Draft Working Paper on Ex Ante Evaluation (especially Annex 2 of that paper) and our knowledge of both the region and the appropriate data sources on the issues facing the region. A further element of appraisal takes the form of an assessment of the extent to which the Programme provides Community added value, and whether the Analysis adequately forms the basis for identifying strategic actions for Programme interventions.
- 2.3. Overall, the vast majority of recommendations were implemented. As set out in the chapter outlining our approach to the study, the ex ante evaluation process has been characterised by ongoing interaction with WEFO, and as a result the final version of the Analysis fulfils the ex ante requirements fully. The analysis is sound and links strongly to the proposed interventions under the Programme. These challenges and associated interventions indicate clearly that the Programme can provide significant Community added value in relation to economic and social cohesion.
- 2.4. This chapter presents DTZ's appraisal of the Analysis. A discussion of the main recommendations that were made and how these were or were not implemented can be found in Annex D. The chapter is structured as follows:
 - Appraisal of the Analysis;
 - Discussion of added value; and
 - Conclusions and recommendations.

Appraisal of the Analysis

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

2.6. It is appropriately structured around the following headings:

- Demographic trends;
- Access to employment and inclusion in the labour market;
- Social inclusion of people at a disadvantage;
- Human capital;
- Deprivation; and
- SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis.

2.7. 2.04 This structure maps closely onto the structure recommended in Annex 2 of the Draft Working Paper on Ex Ante Evaluation:

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

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

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

- Are the sources of data used credible?

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

- Are the conclusions based on sufficient evidence?

The Analysis as presented clearly shows the challenges facing West Wales and the Valleys (WWV). It also distinguishes the issues faced by East Wales.

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

No. The evidence as presented is clear, detailed and interpreted unambiguously.

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

No alternative evidence sources have been found that contradict the data presented in the Analysis.

- Are the appropriate comparators used?

For the most part, the appropriate comparators are used (EW and WWV is compared to Wales, UK and EU data). The two exceptions are Figures 31 and 32, which show educational attainment at GCSE and A/AS level for EW, WWV and Wales only. A comparison with the rest of the UK is recommended.

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

Yes. The third draft of the Analysis looks at sub-regional differences in the data in order to demonstrate the issues facing EW.

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

Yes. The analysis is accurate, comprehensive and up-to-date.

- Are there any gaps in the analysis?

Although the Analysis is very well-written and illustrates issues that Structural Funds could usefully address in EW and WWV, further analysis of science, engineering and technology skills would be useful, as would an analysis of skills broken down into the ten priority sectors (as outline in W:AVE). This could, however, be done once the Programmes are underway.

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

2.11. For the most part the SWOT analysis for East Wales is excellent and follows closely the Labour Market Analysis that precedes it. However, there are three areas common to both SWOT analyses that do not tie in with the Labour Market Analysis:

- i. An identified weakness is that increased deprivation is seen in areas with higher numbers of Black and Minority Ethnic individuals. However, this is not discussed in the Labour Market Analysis, other than to highlight that BME individuals tend to live in more disadvantaged areas (cited as a reason for their poorer labour market outcomes), which does not necessarily imply the same thing. Some material currently included in the Equal Opportunities section of the OP could be moved to strengthen this aspect.
- ii. The strength of the higher education (HE) sector in WWV is classed in the SWOT analysis as an opportunity and again this does not tie in with the Labour Market Analysis.
- iii. There is a threat identified that falling demand for low-skilled workers is cited as 'the principal cause for increased economic inactivity in Wales'. The evidence as presented in the Labour Market Analysis suggests it is self-reported ill health that is the principal cause.

Discussion of added value

2.12. Throughout the evaluation, the evaluators have considered to what extent the Programme provides Community added value. With respect to the analysis chapter, the key consideration has been whether the Analysis

indicates that the Programme can add value to the Economic and Social Cohesion of the Competitiveness area, and in particular whether the Programme is designed to maximise regional economic and social convergence. The Lessons Learned paper highlights that it is important to base the Programmes on sound analysis, while at the same time making sure that the Programmes can be flexible enough to evolve throughout the programming period.

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

Conclusions and recommendations

2.14. The third draft of the Analysis is a well-written and constructed document. Data is clear, well explained and relevant to decide on the Programme priorities for East Wales. The Analysis is appropriately structured, with sections reflecting and mapping closely the structure recommended in Annex 2 of the Draft Working Paper on Ex Ante Evaluation

2.15. The following recommendations should be implemented to ensure the Analysis fully conforms to EU regulations and guidance:

- Develop forward-looking analysis in respect of population change, expected demographic changes etc.
- The map of Wales shows only the Convergence region, not Regional Competitiveness and Employment. (p.8)
- Figure 2 (p.11) – presenting the higher GVA differential for EW as a gap is confusing (i.e. 250%).
- The research findings on employment rates related to skills should be related specifically to the EW context (paragraphs 2.32 and 2.69).

- Using 'long term unemployment' terminology in the context of UK government measures to reduce economic inactivity is confusing (paragraph 2.36).
- The data presented (Page 22 Figure 14) shows that economic inactivity in EW is only 0.6% worse than the UK average. Additionally, economic inactivity levels are static in the UK but falling in EW. If the trend continues at the same rate, EW will have lower levels of economic activity than the UK average by late 2008. The text (paragraph 2.42) could be strengthened.
- Page 39 Figure 25. This Figure should show what units are being used.
- Page 40 Figure 26. The no qualifications/no answer level is aggregated. Whilst the explanation that this is standard ONS treatment and the absolute figure for 'no answer' is very small is acceptable, this should be clarified in a footnote.
- Page 42 Figure 2.77: There appears to be a mistake in the sentence '...Overall males and females had similar scores in the literacy assessments, however, males outperformed females in the literacy assessments'.
- Page 43 Figure 30: Show a UK comparison.
- Page 44 Figure 31: Show a UK comparison.
- Page 45 paragraph 2.86 - 2.87. Here, more in-depth analysis of skills related to the ten key sectors from W:AVE and science, engineering and technology skills would be appropriate.
- Page 55, bullet point 5 under "Strengths": the strength relates to in-migration into East Wales.

2.16. Other than the recommendation regarding forward-looking analysis, none of these recommendations are considered to be substantive. The Analysis as it stands sufficiently illustrates the demographic trends in East Wales and West Wales and the Valleys in order to develop an OP to meet the challenges of the regions. These challenges and associated interventions indicate clearly that the Programme can provide significant Community added value in relation to economic and social cohesion.

3. PROGRAMME STRATEGY RATIONALE AND INTERNAL AND EXTERNAL CONSISTENCY

Chapter overview

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

- Appraisal of the rationale behind the Programme strategy;
- Appraisal of the internal consistency of the Programme strategy;
- Appraisal of the external consistency of the Programme strategy; and
- Discussion of Community added value.

Rationale

Introduction to Rationale section

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

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

3.3. Only an overview is presented in this section. The integration of the Cross Cutting Themes and the link to EU policies in these policy areas is discussed under 'Consistency with EU Policies'.

Objectives and Priorities of the Programme

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

Table 2.1: Summary of Priorities

Priority 1 Increasing Employability and Tackling Economic Inactivity
Priority 2: Improving Skill Levels and Improving the Adaptability of the Workforce
Priority 3 Technical Assistance

3.5. Following the previous appraisal undertaken by DTZ, the Analysis and focus of the Priorities of the ESF Competitiveness Programme were changed. The most substantive change was to enhance the focus of the analysis on EW. This has led to Priorities being focused on the challenges and issues faced in EW.

3.6. This is a most welcome change to the Programme, following on from a DTZ recommendation to be more specific about the aim of the Priorities and ensure that they are relevant to the needs identified in the Analysis.

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

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

- i. Demographic Trends;
- ii. Access to employment and inclusion in the labour market;
- iii. Social inclusion of people at a disadvantage;

- iv. Human capital; and
- v. Deprivation.

3.9. Whilst the Analysis continues to recognise that, relative to Wales and WWV, the EW economy is performing well, it now also highlights:

- vi. The potential role that EW could play in driving the Welsh economy as a whole (building on strengths);
- vii. The disparities that exist within EW in terms of employment and economic activity; and
- viii. The importance of skills in supporting a higher value-adding economy.

3.10. The Analysis identifies that whilst EW has higher GVA per head than the UK as a whole, this disguises the fact that EW has lower value-added per job and a lower employment to working age population ratio than the UK average. Both of these factors are offset by higher jobs to employment ratio.

3.11. This clearly identifies the need for the Programme to enhance employment levels (and economic activity) and increase value-added per job, in order to drive productivity improvements to the benefit of EW and the Welsh economy.

3.12. This Analysis shows disparities within EW in terms of employment and economic activity amongst different groups. Specifically these groups have been identified as young people not in employment, education or training; people with work-limiting health conditions and/or disabilities; people looking after home or family; and people from BME communities. Priority 1 is closely aligned to tackling economic inactivity and unemployment amongst these individual target groups (reference is also made to ex-offenders, although these do not appear in the Analysis).

3.13. Secondly the Analysis focuses on the linkages between skills and qualifications and an individual's labour market position. The Analysis

highlights the role that increasing the skills can have in labour market inclusion and on meeting the current and future skills needs of the economy.

3.14. This is strongly aligned to Priority 2, Improving skill levels and improving the adaptability of the workforce.

3.15. Previously, DTZ strongly recommended that the Analysis needed to be strengthened in relation to the issues facing EW and that the Priorities should be focused at addressing these issues. WEFO has taken these recommendations on board and the revised Analysis in the OP is substantially improved. The Programme now directly relates to the majority of the issues raised in the Analysis. A table has been added to the OP, which outlines the key challenges facing EW, and maps the response of the Programme in addressing these. This represents a significant strengthening of the Programme in this regard.

Key strategic challenges

3.16. The Programme details key strategic challenges for EW. The headline economic position outlined is that whilst EW performs well compared to the rest of Wales on almost all of the leading economic indicators, it is recognised that the strengths of the area offer opportunities and act as important drivers for the Welsh economy as a whole.

3.17. In order to realise the opportunities, the Programme identifies that despite a relatively significant rise in employment, over one fifth of the region's working age population are economically inactive and certain groups are suffering greater disadvantages than others in engaging in the labour market. Secondly, value-added per job in EW remains below the UK as a whole. The under-representation of higher value-adding sector industries compared to the UK is cited as a reason for this. A key strategic challenge for EW is to ensure skill levels of the workforce are developed to address any skills gaps and support higher value-adding sectors.

Strategic vision

3.18. The vision is to create a thriving, vibrant and competitive region that has a highly skilled, innovative workforce that can compete internationally.

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

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

Priorities and Themes

3.20. This section examines the Priorities contained in the Programme. The focus of the Priorities have changed following the DTZ appraisal and Themes originally included have been removed. DTZ consider that the changes made to the Priorities have improved the Programme.

Priority 1: Increasing employment and tackling economic inactivity

3.21. This Priority is focused on raising the levels of employment and economic activity by securing higher participation in the workforce in the EW region. Bringing disadvantaged groups into the labour market will be achieved through:

- i. Implementing active market policies;

- ii. Helping individuals acquire the skills needed for sustainable employment;
- iii. Addressing the specific barriers faced by individuals within each groups;
and
- iv. Supporting retention and progression in employment through action with employers and new employees, including action to improve occupational health care, workplace health interventions and work-life balance practices.

3.22. Whilst the Analysis recognises that employment rates in EW are comparable to the UK average, and the unemployment rate is lower, this disguises the relatively higher rates of economic inactivity in the region. In addition, the Analysis shows that certain individuals are particularly disadvantaged in the labour market. Enhancing economic activity is considered important not only in terms of contributing to economic growth, but also by supporting social inclusion and reducing social inequalities.

3.23. The original Themes identified have been replaced with a more targeted focus on specific individual groups shown to be disadvantaged in terms of participation in the labour market. DTZ welcomes this improved focus, which is now supported by the Analysis.

3.24. As a complement to intervention to aid increased economic activity amongst the identified disadvantaged groups, the Programme highlights the value of intervention to support those recently engaged in the labour market to remain engaged. Whilst this is not an issue explicitly detailed in the Analysis, only a relatively small proportion of resources will be dedicated to this element of the Priority and there are strong complementarities with other elements of the Priority.

3.25. DTZ previously recommended that the focus of the Programme should be on areas that provide the greatest scope for impact. Spreading resources thinly on activities that are already covered by mainstream support may act to dilute the impact of the Programme in addressing key issues. Resources are not sufficient to undertake all activities across all areas and intervention should be focused on areas that add the most value. WEFO has taken this recommendation on board and highlighted how the Priority builds on existing

activities and the role that partners will have in delivering the Priority. The improved focus of the Priority on specific groups is welcomed.

Priority 2: Improving the skills level and the adaptability of the workforce

- 3.26. This Priority aims to improve skills levels as a means of promoting progression and higher value-added employment. The objective will be met by raising the basic skills levels of workers to increase their employability and earnings and improve systems for workforce development to promote higher value-added employment.
- 3.27. The Analysis identifies the relatively worse position (in terms of lower pay and lower employment rates) faced by the low skilled in the developed world over recent decades. Whilst progress has been made, action under the Priority will aim to build on the existing work undertaken through the Basic Skills Strategy. The Priority will improve basic skill provision in numeracy and literacy, problem solving and customer handling through targeted interventions, working with employees and employers. Extending support for the development of softer skills such as customer handling was a welcomed addition following on from an earlier DTZ recommendation, and is supported by the evidence in the Analysis.
- 3.28. In addition, the Priority recognises the need to improve research into skills needs and systems for matching learner to employer demand, and the need to develop systems to help employers identify and address the future needs of their sectors. The Analysis highlights that 18 percent of employers in Wales experience skills shortages and that there are sectoral skills shortages, particularly in technical and practical skills. In order to address these shortages, there is a clear rationale to involve employers to ensure that skills are developed to address the specific gaps that exist. It is suggested in the Analysis, with reference to recent evidence, that EW's relatively low value-added per job is because of the industrial composition of the area and the lower proportion of higher value-adding service sector jobs. In order to raise productivity and GVA, the region must ensure that the quality of employment increases and that the skills of the workforce can meet the demand of these higher value-adding sectors. Developing systems to

identify skills needs and increasing the skills base of the workforce to meet these is a valid aim for EW.

- 3.29. Action initially undertaken will be focused on the ten sectors identified in W:AVE as important to future economic growth. Whilst this is appropriate for the development of skills for economic growth and productivity, the focus may not be appropriate for the development of skills to improve 'employability'.

It is recommended that WEFO differentiate between these two issues and focus intervention appropriately on each: it is unlikely that activity aimed at increasing employability (e.g. basic skills) will have the same sectoral focus at activity aimed at increasing higher value-added employment (e.g. skills for high growth sectors).

Concentration of resources

- 3.30. The table on pages 161 of the OP sets out the funding for each Priority. Approximately 47 percent of total funding will be allocated to Priority 1, 51 percent to Priority 2 and the remainder for Priority 3 as Assistance.
- 3.31. The funding is appropriately targeted at priorities which will contribute to the Lisbon objectives. This argument should be detailed in Section 7.4 of the OP, which currently seems more applicable to ERDF Competitiveness and Convergence.

Alternative policy mix

- 3.32. One objective of the Ex Ante Evaluation is to consider whether there is an alternative mix of policies that could achieve the objectives of the Programme. At the broadest level, this implies a consideration of whether the key strategic challenges of the Programme can be best addressed by the proposed Priorities.
- 3.33. The key strategic challenges arise from the disparities that exist within EW in terms of labour market activity, the relatively low value-added per job relative to the UK as a whole and the potential impact that EW can have on the Welsh economy if it could build on its relative strengths. The Priorities

detailed above are clearly aimed at targeting both skills and economic inactivity, which meet the strategic challenges. In addition, by raising the value-added activity in EW, the relative position of Wales as compared to the UK would also improve.

3.34. WEFO has responded to recommendations made by DTZ to ensure that the policies not only focus on the low-skilled and inactive, but also encourage the development of higher skills. There may be some scope to enhance this further with more direct intervention aimed at increasing collaboration between Higher Education Institutions (HEIs) and business/employers.

3.35. Overall, the Priorities seem to focus more closely on the problems faced in EW than on the opportunities presented. Given the potential broader benefits to Wales as a whole from increased productivity in EW, there may be a case for considering how the Programme can capitalise on the opportunities in EW as opposed to focusing mostly on the problems.

3.36. In terms of appropriateness of policy mix, it is recognised that not all activities can be undertaken within the Programme. Although it is noted that the OP outlines what needs and challenges in EW will be targeted, it would be valuable if the strategy commented on what is achievable within the Programme, given the small size of the Programme.

3.37. Overall, there is a good balance between preventative approaches (for example aiming to increase the skills base of the workforce to aid workforce flexibility) and curative approaches.

3.38. In terms of trade-offs, DTZ do not believe that there are substantial negative trade-offs between the Priorities identified. This view is based on the extent of complementarity between the Priorities and the lack of evidence to suggest that the pursuit of these Priorities would have a negative effect on society, either now or in the future. However, in a broader sense there may be trade-offs depending on the choice of intervention. That is to say, by selecting a particular path of policy the Programme forgoes the opportunity to intervene in a different way. Pursuing interventions that focus on reducing economic inactivity and raising basic skills will not greatly contribute to the

objective of increasing value-added activity in EW. In addressing the possible issue of trade-off within this context, there may be scope to explain in the OP why one form of intervention is chosen against a possible alternative.

Validity of the theory

3.39. The theory presented is valid. DTZ previously recommended that the link between Vision, Analysis, Priorities and Themes be improved to provide a clear argument. WEFO has responded and the latest OP is very well structured, showing a clear link between the Analysis and the Priorities.

The case for and against public intervention

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

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

3.41. Throughout the Programme Priorities, there are three main arguments for intervention. The first is based on the equity argument with Priorities

aimed at increasing the welfare of individuals through enhancing their employability. The second is based on positive externalities gained from a more productive workforce, whose skills are better matched to the needs of businesses. The third argument is based on information asymmetries, where the skills demand by the economy are not supplied to the economy.

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

Internal consistency

Introduction to internal consistency section

3.43. The task of the evaluator as set out in the specification for this evaluation is to determine:

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

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

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

Conflict between Priorities

3.46. DTZ has not identified any notable conflict between Priorities. The Programme is focused on two main areas, increasing economic activity and enhancing the workforce skills base, both of which would contribute to enhancing the economy of EW.

3.47. DTZ recommended two key areas for WEFO to consider:

- i. The large extent of support provided to increase employment and economic activity, given the relatively high employment rate in East Wales (which is above the Lisbon target).
- ii. The focus of Priority 2 on basic skills and whether greater emphasis should be given to higher skills, softer skills, technical and specialist skills to meet the needs of growth sectors.

3.48. WEFO has considered both points and, by re-visiting the Analysis and re-focusing the Priorities, both recommendations have now been fully considered. The Priorities demonstrate a coordinated approach to tackling the issues faced in EW.

Policy risk

3.49. The Commission noted that the Analysis should cover the policy risk involved in the choice of Priorities². Arising from a concern that Structural Funds interventions were becoming increasingly risk-averse, this aims to explore the balance between more standard interventions which are 'easier' to implement and those which are inherently more risky but might have a bigger impact. In this context, risk is interpreted as the risk of delivering the outcomes, i.e. whether the intervention works. The impact of the policy are the outcomes if the policy delivers, i.e. the outcomes, if the policy has worked on the overarching objectives of the Programme in terms of jobs and growth. As an example, finding the cure for cancer has high policy risk (as the research only has a small likelihood of succeeding) but a very high impact if successful.

² European Commission Draft Working Paper on Ex Ante Evaluation, October 2005, p. 9

- 3.50. The strategy chapter does not provide enough detail on activities to make a comprehensive assessment of policy risk possible. Within each Priority it would be possible to support activities with varying degrees of risk and innovation.
- 3.51. Table A2 in Annex D contains a headline risk assessment of each Priority. This indicates the potential scale of policy risk alongside potential impacts of the associated intervention.
- 3.52. Overall, the Programme contains a range of traditional interventions that have been tried and tested in the past. However, the potential impact of interventions will depend on whether they address the specific issues faced in EW. Interventions aimed at increasing employment and basic skills do have the potential to have a high impact, but only if there is a specific need for the intervention (i.e. inactivity/low basic skills being the cause of lower than average value-added per job in EW).
- 3.53. There may be scope to review whether there is value in implementing somewhat riskier interventions, or interventions that are likely to have a greater impact on the challenges facing EW.
- 3.54. The policy risk is likely to be low given that much of the Programme is focused on building on existing programmes and the 'best of tried and tested' interventions.

Summary and recommendations – Internal consistency

- 3.55. The Programme Priorities have a high degree of internal consistency, with few conflicts between Priorities.
- 3.56. The majority of interventions are well-established and tried and tested in previous programmes, which reduces policy risk. There may be scope to consider whether the mix of risk and impact is appropriate and whether there is scope to include more risky policies with higher levels of potential impact.

Appraisal of consistency with regional and national policies and Community Strategic Guidelines

Overview

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

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

Consistency with European policy and the Community Strategic Guidelines

3.58. DTZ has appraised the consistency of the Programme strategy with key European policies, strategies and guidance documents. These are:

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

Structural Funds Regulations for 2007 – 2013

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

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

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

- Promoting acceptance of diversity in the workplace and combating discrimination;
- Promoting partnerships, pacts and networking between stakeholders; and
- Developing human potential in research and innovation.

3.61. Areas which are not specifically covered in the Programme include:

- i. Dissemination of eco-friendly technologies, promotion of entrepreneurship and innovation and business start-ups;
- ii. Local-level initiatives, supporting community development;
- iii. Mitigating environmental problems, regenerating brownfield and derelict land;
- iv. Transport investments;
- v. Energy investments; and
- vi. Investment in social infrastructure.

3.62. Overall, the Programme covers most of the relevant key themes (i.e. labour market focused) contained in the Regulations. While there are some themes not picked up, in the view of the evaluators this represents a useful focusing of the Programme in line with the Structural Fund regulations which require targeting at the most important needs in order to bring about substantial effects. A large range of Priorities would distract from this focus. There may however be scope to include activities to develop human potential in research and innovation, notably through postgraduate studies, which may support a higher value-adding economy.

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

3.64. The Community Strategic Guidelines contain the principles and priorities of cohesion policy. The UK used the guidelines as the basis for drafting the National Strategic Reference Framework (NSRF).

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

- Improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
- Encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies; and
- Creating more and better jobs by attracting more people into employment, promoting entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

3.66. Priorities 1 and 2 fit well with the third objective.

3.67. The second objective above addresses the development and encouragement of innovation and the development of research capabilities. Whilst it is clear that support for this objective is part of the ERDF Competitiveness Programme, the ESF Competitiveness Programme also favours support for the knowledge economy and helping workers and enterprises to adapt to new technologies, through helping employers identify future needs of their sector.

The Third Report on Economic and Social Cohesion

3.68. The objectives identified for Member States in the Third Report on Economic and Social Cohesion are:

- Strengthening competitiveness and employment creation;
- Social cohesion and the risk of poverty;
- The ageing of the population and increasing dependence rates;
- Narrowing disparities in regional competitive factors;
- Improving infrastructure endowment;
- Strengthening human capital;
- Strengthening social cohesion;
- Continuing to narrow disparities in innovative capacity;
- Ensuring access to basic services;
- Narrowing regional disparities in income;
- Supporting foreign direct investment (FDI);
- Building the knowledge economy;
- Strengthening education and training;
- More and better jobs in an inclusive society; and
- Environmental protection for sustainable growth and jobs.

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

The Lisbon Strategy

3.70. Lisbon aims are summarised under three headings:

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

3.71. The Programme Priorities of increasing employment and tackling economic inactivity and improving the skills level and adaptability of the workforce map directly on to the Lisbon aim of creating more and better jobs. Within the Lisbon aim of creating more and better jobs there are a number of sub-headings, which also have considerable overlap with the Programme. These are to:

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

3.72. Across Priorities, there is strong overlap between the Programme and Lisbon strategy aims. However, given EW's relative employment and skills attainment (which are above the Lisbon targets), greater focus could be given to knowledge and innovation for growth. For example, by focusing on R&D, innovation and education as a key driver for productivity growth and encouraging an increase in the number of educated and trained researchers.

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

Equal Opportunities

3.74. Gender equality, especially in relation to the workplace, has been a feature of European policy since the Treaty of Rome. Over time, this issue has been broadened out to encompass Equal Opportunities for a range of groups.

3.75. Equal Opportunities is an important feature of Structural Funds, with a special emphasis within ESF. Equal Opportunities is a Cross Cutting Theme (CCT) in the 2000 – 2006 Structural Funds programming period and is proposed to be a CCT in the new round of funding.

3.76. The Equal Opportunities CCT is discussed within a separate chapter of the OP on CCTs. That chapter identifies the following objectives for Equal Opportunities:

- Decrease the number of people who are inactive and support them into training and employment;
- Increase the number of women, BME and disabled people securing training and employment in higher-paid and higher-skilled sectors and self-employment;
- Challenge gender role stereotyping by increasing the number of women and men moving into non-traditional areas of employment; and
- Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring systems and methods of feeding in improvements.

3.77. Each Priority will use these objectives within the context of activities to be funded. This will help to ensure that Equal Opportunities objectives are fully integrated in the Programme.

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

The Gothenburg Agenda / Environmental Sustainability

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

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

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

3.81. Supporting those with carer responsibilities for dependants and encouraging and supporting people to remain in work longer are issues covered in the Programme. In an ageing society helping those with carer responsibilities become more active in the labour market will have a positive impact on the economy and society. Similarly, supporting people to remain in work longer will also have a positive impact on society and the economy. Via its interventions on social inclusion and employment, the Programme also aims to address the wider social issues associated with deprivation and unemployment, including poor health.

3.82. The environmental sustainability of the Programme is discussed in the chapter on CCTs. Biodiversity (promotion of aquatic biodiversity and protection in new developments), Climate Change (in relation to a reduction

in greenhouse gases and adapting to its impact) and Sustainable Transport are covered as headings.

3.83. WEFO has also enhanced the Programme so that it now makes explicit reference to environmental sustainability within the Priorities, for example by integrating sustainable development principles into education and training programmes.

Annex 2 of the Draft Working Paper on Ex Ante Evaluation

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

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

3.85. Also, assessment must be made of:

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

- iv. The extent to which the Programme will increase investment in human capital through better education and skills;
- v. The extent to which the Programme will expand and improve investment in human capital; and
- vi. The extent to which the Programme will adapt education and training systems to respond to new competence requirements.

3.86. The Programme is designed to contribute to attracting and retaining more people in employment. Priority 1 relates to increasing employment and supporting people to stay in employment.

3.87. The Programme will contribute to improving the adaptability of workers. Priority 2 is focused solely on improving the skills level and adaptability of the workforce and thus enhancing human capital.

3.88. Modernisation of social protection systems is not covered by the Programme. In view of the scale of the Programme and wider UK responsibilities for the social protection system, this is an appropriate focus.

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

Consistency with UK policy and strategy

National Strategic Reference Framework

3.90. The National Strategic Reference Framework (NSRF) sets out the priorities for the Structural Fund programmes across the UK. The strategy for the Programme in EW broadly mirrors that detailed in the NSRF and is thus consistent with the NSRF.

UK National Reform Plan

3.91. The key document relating the Lisbon strategy to the UK policy level is the UK National Reform Plan (Lisbon Strategy for Jobs and Growth – The UK National Reform Plan, HM Treasury, October 2005). The 2005 UK National Reform Plan focuses on three broad objectives:

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

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

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

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

3.94. The latter two relate to UK-wide initiatives. However the responsibility of improving the supply of affordable childcare rests with Local Authorities. The Programme will be able to contribute to childcare provision through this route.

3.95. With regard to the UK National Reform Plan focus of promoting productive growth, there is clear consistency with Priority 2, Improving the skills level and adaptability of the workforce.

3.96. The Draft Working Paper on Ex Ante Evaluation requires an assessment of whether financial allocations are sufficient to deliver the objectives of the National Action Plan (now the National Reform Plan). In the proposed new ESF Competitiveness Programme, whilst the level of funding

is relatively low, given the progress made in EW to date there should be sufficient financial allocation for Priority 2.

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

3.97. The UK National Report on Strategies for Social Protection and Social Inclusion³ for the period 2006-2008 sets out a number of key challenges for social inclusion across the UK, namely:

- The economic situation, in particular inequalities such as income inequalities;
- Child poverty;
- Access to employment;
- Access to quality services such as Housing, GPs; and
- Discrimination.

3.98. The key policy objectives identified are:

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

3.99. The broad objectives embodied in the National Report are clearly consistent with the ESF Competitiveness Programme. Some of the

interventions are UK-level interventions (child poverty through the tax/benefit system and the National Action Plan) while others are included in the Programme as shown in the table below:

National Report Objective	Corresponding Priority in the ESF Competitiveness Programme
Increasing labour market participation	Priority 1
Tackling discrimination	Elements of Priority 2; Equal Opportunities as a CCT

Consistency with Welsh policy and strategy

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

Wales: A Vibrant Economy

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

3.102. W:AVE sets the strategic framework for the 2007 – 2013 European Structural Funds Programmes and is closely aligned with the Lisbon Agenda, particularly in terms of delivering more and better jobs and a focus on knowledge and innovation. Sustainability is at the heart of W:AVE.

3.103. Key areas of consistency between W:AVE and the ESF Competitiveness Programme include:

³ http://ec.europa.eu/employment_social/social_inclusion/naps_en.htm

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

Wales – A Better Country

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

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

- Increasing the take-up of lifelong learning;
- Ensuring more people are equipped for the modern labour market and so increasing economic activity;
- Providing each learner with a learning pathway to give them the skills, experience and opportunities needed for successful life and work;
- Providing a financial incentive for lifelong learning.

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

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

Skills and Employment Action Plan

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

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

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

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

- Better co-ordinate interventions in Wales to reduce or remove the barriers to participation in work;
- Influence the UK Government's Welfare to Work agenda through the Wales Employment Advisory Panel and where possible enhance the New Deal in Wales;
- Develop sector-based approaches and targeted support for those at a particular disadvantage in the labour market; and
- Improve information and guidance provided to individuals and employers.

3.111. The SEAP has a particularly sector- and community-based approach to move economically inactive people into hard-to-fill jobs. Examples of such activities include a pilot programme in Bridgend to provide jobs within the communities where investment occurs (e.g. an improved housing programme).

3.112. Priority 2, improving skills levels and improving the adaptability of the workforce, closely complements the SEAP objective of improving the mechanism for workforce development.

3.113. The SEAP objective of working with employers and employees to improve skills is reflected in Priority 2 of the Programme. The aim in this Priority is to encourage businesses to pursue growth complements the SEAP objective of stimulating the demand for skills by encouraging businesses to pursue higher value-added products and services.

3.114. Two other SEAP objectives which are closely complemented by the ESF Competitiveness Programme are:

- Work with employers and trade unions to improve workforce skills and encourage diversity; and
- Ensure that suitable qualifications and learning provisions are available and well understood.

3.115. There is strong consistency between the Programme Priorities and the SEAP.

Wales Spatial Plan

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

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

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

- Achieving Sustainable Accessibility.

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

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

3.119. In addition, the Wales Spatial Plan places a strong emphasis on targeting children in their early years. The ESF Competitiveness Programme does not focus on children.

3.120. There is scope to detail within the OP whether an element of spatial targeting for particular groups might be useful, for example in terms of the concentration of black and ethnic minorities within Cardiff and Newport.

Other Welsh strategies

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

- A Winning Wales - National Economic Development Strategy;
- Wales Sustainable Development Scheme;
- Iaith Pawb: A National Plan for a Bilingual Wales;
- The Learning Country;

- National Action Plan for Social Inclusion;
- Extending Entitlement;
- 14-19 Pathways;
- Reaching Higher - A Strategy for the Higher Education Sector in Wales;
- Nexus Report;
- Our Environment Our Future;
- Energy Wales Consultation Document;
- Waste Strategy; and
- Making The Connections;

3.122. In summary, DTZ has found a good fit between these strategy documents and the ESF Competitiveness Programme. Whilst the degree of relevance varies across documents, there does not appear to be conflict or contradiction between the strategies and the Programme.

Consistency with other Structural Funds Programmes

ERDF Competitiveness Programme

3.123. There is complementarity between ERDF Competitiveness and ESF Competitiveness Priorities in that both recognise the need to develop a knowledge-based economy in EW.

3.124. In the earlier appraisal, DTZ recommended that there was scope to increase the complementarities between the Programmes. The areas identified are as follows:

3.125. Scope to enhance the extent of complementarity by increasing the focus on development of higher skills in the ESF Competitiveness Priorities. It is entirely consistent both in that a highly-skilled workforce is required to support a high value-added economy and, vice-versa, appropriate economic

opportunity will need to be provided in order to retain highly-skilled individuals.

3.126. Priority 1 of the ESF Competitiveness Programme would be closely aligned to ERDF Competitiveness Programme Priority 4, Regeneration for Growth, if the ESF Competitiveness Priority had a stronger spatial targeting.

3.127. WEFO decided against implementing spatial targeting and focused instead on key target groups.

3.128. Priority 2 of the ESF Competitiveness Programme broadly supports ERDF Competitiveness Priority 4, but a more specific focus would be strengthen the complementarities. ESF Competitiveness Programme Priority 2 would have strong complementarities with both Priority 1 ERDF Business Growth and Competitiveness and Priority 2 ERDF Knowledge and Innovation for Growth if the skills focus were expanded to cover higher-level skills, technical skills and entrepreneurial skills. At present, the ESF Competitiveness Priority does not support the ERDF Competitiveness Priorities.

3.129. Priority 2 Theme 2 of the ESF Competitiveness Programme supports the ERDF Competitiveness Priority 2, Business Growth and Innovation, although greater complementarity could be achieved.

3.130. However, in general WEFO has responded to the majority of the recommendations made and greater complementarities now exist between the two Programmes, particularly in relation to higher skills and the needs of the economy. Furthermore, WEFO recognise that some activities would benefit from being able to utilise ERDF in conjunction with ESF. It is proposed that the flexibility facility is used, up to a maximum of 10 percent.

Territorial Co-operation

3.131. The current INTERREG IIIA Community Initiative has been mainstreamed as Objective 3 of the Commission's proposals for post-2006 Structural Funds. The new Territorial Co-operation (TC) Objective

Programmes will consist of three strands, Cross-border, Trans-national and Inter-regional co-operation.

3.132. Whilst projects involving partners across Europe will be considered, specific emphasis is given in the OP to activities involving Member States/regions with which WAG has formal cooperation agreements, including Latvia, Brittany, Catalonia, Upper Silesia and Baden-Wurttemberg.

3.133. The following labour market related Themes have been identified for trans-national and inter-regional activities:

- Increasing and improving adaptability, including for example action to support lifelong learning, entrepreneurship and restructuring;
- Supporting the integration of job-seekers and inactive people, for example including action to promote age management, youth unemployment (in the context of the European Youth Pact) work-life balance and migrants;
- Supporting integration of disadvantaged groups and combating discrimination, including for example action to support people with disabilities, ex-offenders, ethnic minorities and people with caring responsibilities; and
- Enhancing human capital including for example action strengthening systems for the validation of skills.

3.134. These are closely aligned to the ESF Competitiveness Programme Priorities.

ERDF and ESF Convergence Programme for WWV

3.135. The ESF Competitiveness Programme is consistent with the Priorities and Themes being developed for the Structural Fund interventions in WWV under the ERDF and ESF Convergence Programmes. In the main these Programmes map closely onto the needs and priorities identified for EW and should complement the interventions. The ESF Competitiveness OP recognises the impact that EW can have on WWV and Wales as a whole and complementarities are therefore important.

3.136. The OP makes reference to the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). Whilst Programmes should be complementary, it is important that duplication is avoided. The ESF Competitiveness OP highlights areas where overlaps may occur with the EAFRD and EFF Programmes and outlines how the Welsh Assembly Government will ensure that resources are targeted appropriately while avoiding duplication or 'double-funding'.

Summary and recommendations – External Consistency

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

Community added value

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

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

3.140. The Programme strongly links to Community priorities, specifically highlighting the Lisbon agenda, and the interventions are designed to maximise Community added value with regard to Community priorities. Lessons Learned have highlighted that it is crucial for Programme priorities to

be strongly linked to regional and national priorities, as well as Community priorities, to provide most effect and this is clearly the case for the Programme. Furthermore, the Programme builds on good practice in relation to the integration of the Cross Cutting Themes, ensuring that these are built in from an early stage.

3.141. In terms of financial provision, it is clear that the Programme will leverage in significant match funding from the Welsh public sector. Every resource provided by Structural Funds is to be matched by 1.5 times this resource from Welsh public funds⁴. At present, the level of envisaged private sector match funding has not been detailed in the OP.

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

⁴ The exception being TA which is matched on a on-for-one basis.

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

4.1. This chapter contains the appraisal of implementation arrangements made as part of the Ex Ante Evaluation for the ESF Competitiveness Programme. It also includes an overview of the target setting process.

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

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

4.3. Broadly in line with the headings noted above, the Implementation Chapter of the OP is organised according to the following headings:

- i. Designation of Authorities;
- ii. Partnership;
- iii. The Programme Monitoring Committee;
- iv. Implementation;
- v. Payment Bodies;
- vi. Eligibility of Expenditure;
- vii. Audit Arrangements;
- viii. Use of the Euro;
- ix. State Aids;

- x. Procedure for Financial Flows;
- xi. Programme and Project Information System (PPIMS);
- xii. Computerised Exchange of Data;
- xiii. Monitoring and Evaluation;
- xiv. Measures for Monitoring the Programme in relation to the Strategic Environmental Assessment; and
- xv. Publicity and Information.

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

4.5. It is concluded that the majority of recommendations made on earlier drafts of the Implementation Chapter have been accepted and addressed by WEFO, either in the OP itself or within arrangements to be made outside the OP, such as the Monitoring and Evaluation Plan.

High level recommendations

4.6. The section on 'Measures for Monitoring the Programme in relation to the Strategic Environmental Assessment' is not relevant and should be removed.

4.7. The Implementation Chapter sets out a high-level description of the proposed implementation arrangements. In setting out these arrangements, WEFO can draw from its experience of implementing the Programmes in the

last round of funding. It is thus entirely appropriate that some of the provisions are kept relatively general. However, in areas where there is significant change or where shortcomings were identified in the last round of funding, it would be useful if the document clearly identifies what the issues were and how the changes in this round of programming will address them. In particular, it was previously recommended that the rationale for introducing such changes as the new electronic Knowledge Management system (PPIMS) and the creation of Strategic Frameworks should be explored in more detail.

4.8. WEFO agreed with both these recommendations and subsequently included a new PPIMS section in the OP. The Strategic Framework section has been revised to illustrate the rationale – i.e. that previous Programme evaluations identified that the overall impact of the Programme can be enhanced through a more ‘joined-up’ approach to project activity and headline Programme objectives.

4.9. Setting up new systems is inherently more risky than continuing to use the previously tried and tested systems. The Implementation Chapter of the OP should explore risks involved with the introduction of new implementation arrangements, highlight risk mitigation or management measures and weigh up these risks against the benefits of the new arrangements. DTZ previously made the following recommendation with regard to risk:

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

4.10. Although a risk assessment is not detailed, the OP does now outline that the Managing Authority will monitor, manage and mitigate the risks associated with the implementation of these new approaches.

4.11. More generally, there is a need to explore all implementation risks alongside potential mitigation approaches. In this regard it was previously recommended that a high-level risk register should be included in the Implementation Chapter of the OP. However WEFO declined to specifically implement this recommendation stating that the reference is made to risk management and mitigation in the revised section referring to Strategic Frameworks.

Designation of Authorities

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

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

4.13. The OP includes the statement explaining that within 12 months of the approval of the OP a description of the systems, organisation and procedures of each of the authorities (Managing/Certifying/Auditing) will be provided. Further, the reasoning for functional separation (as set out in Article 58(b)⁵) has been added, although the potential limitations of this separation have not been detailed.

4.14. Under the description of the functions of the Audit Authority, there should also be discussion of the verification function of the Internal Audit Service (IAS) in checking whether an audit trail exists for all payments and

⁵ Of Regulation 1083/20006.
http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_210/l_21020060731en00250078.pdf

whether all records are kept in accordance with audit principles. It was previously recommended by DTZ that the importance of IAS verifying the audit trail and ensuring compliant record keeping, including if necessary paper copies, should be highlighted. WEFO agreed to and actioned this recommendation.

Partnership

- 4.15. A target of 40% representation of women on the Programme Monitoring Committee (PMC) was mentioned in the Consultation Document and DTZ suggested that this should perhaps be a 'minimum of 40%'. WEFO has subsequently amended this text in line with DTZ's recommendation. DTZ previously recommended that more indication of how this will be achieved would be useful: for example how women are going to be encouraged to take part. Are there any other groups which should have some representation such as black and ethnic minorities? Is private sector representation desirable?
- 4.16. With regard to this recommendation, the OP now highlights how the PMC will be chaired and from which areas and particular bodies the majority of membership shall be constituted. Private, public and voluntary sector groups are to be represented, as are environmental and equal opportunity interests.
- 4.17. The PMC's role in setting project selection criteria is highlighted in the OP. DTZ previously recommended that detail should be given on how this fits with the role of the Strategic Frameworks. The OP now discusses the role of the PMC in working with the Managing Authority in implementing the OP through the Strategic Frameworks and will advise the Managing Authority in ensuring that the Strategic Frameworks operate in line with the objectives of the OP.
- 4.18. It was previously recommended by DTZ that an indication of what criteria will drive project selection would be useful. However WEFO has stated that these criteria will be produced within six months of adoption of the Programme (outlined in the 'Duties of the Monitoring Committee' section).

Implementation

- 4.19. Earlier drafts of the OP suggested that fewer projects will result in 'deeper interventions'. DTZ recommended that a brief explanation of this concept would be helpful. WEFO has advised that this terminology has been

removed from the revised Strategic Framework section, although the term is still used in the Strategy chapter of the OP.

- 4.20. A number of key documents are highlighted in this section of the OP but only the Wales Spatial Plan (WSP) is discussed subsequently. If the Wales Spatial Plan needs to be highlighted over and above what is already included in the Strategy Chapter then it should be made clear what the specific link to implementation will be. With regard to this recommendation WEFO have removed the section specifically relating to the WSP and instead discuss how it relates to implementation throughout the Implementation Chapter and the rest of the OP.
- 4.21. DTZ recommended that more detail on the implementation of Strategic Frameworks would be useful, especially in terms of setting out the role of individual projects, project sponsors, the Framework board and the Framework lead (i.e. who does what, when). In particular, it should be made clear how different functions (planning, co-ordination, evaluation, provision of audit/monitoring information, integration of Cross Cutting Themes) are allocated and which activities by whom can receive Technical Assistance.
- 4.22. The revised section on partnership and Strategic Frameworks now details more clearly the various stages of the OP – from preparation, to implementation, to monitoring and evaluation – and the role and duties of the PMC and various authorities in each of these elements of Programme management.
- 4.23. There was a reference in the Consultation Document to ‘very close links’ between Strategic Frameworks under Competitiveness and Convergence. It is not clear what this means in practice and it was previously recommended by DTZ that the relationship between the Strategic Frameworks under Competitiveness and Convergence should be specified. WEFO has indicated that they are currently seeking further information in order for this comment to be addressed.

Payment bodies

- 4.24. In the Consultation Document, information was given on the electronic claims system, Programme and Project Information Management System (PPIMS). It was previously recommended by DTZ that key features of PPIMS, such as its development, functions, objectives, and milestones, should be discussed in more detail in a stand-alone section (for example under a new section 'Knowledge Management' which also includes the provisions for computerised exchange of data). WEFO accepted this recommendation and included a new section titled 'Information Systems (PPIMS)' in the OP.
- 4.25. Further, the OP text notes that WEFO will provide the option of paying certain organisations in advance. Is this on request or does WEFO carry out any assessment of the organisation before it agrees to pay in advance?

Monitoring and evaluation

- 4.26. In addition to the functions of the Annual Implementation Report set out in the Implementation Chapter, the Annual Implementation Report should also be used to report annually on progress to a wide range of stakeholders in Wales, including the general public. It was previously recommended that more detail on the role of regular monitoring and evaluation in reporting progress to the wider stakeholders in Wales would be helpful. The OP now highlights that a PMC sub-committee will have responsibility for monitoring and advising the main PMC on the Programme. Further, an Evaluation Advisory Group (EAG) will be formed by the Managing Authority which will advise and assist in designing the Monitoring and Evaluation Plan and ensuring that the findings of evaluation are disseminated widely.
- 4.27. Where the Ex Ante Evaluation is discussed, reference should be made to the independent and objective nature of the external evaluators (DTZ).
- 4.28. Further it was also recommended that an indication of what evaluation capacity building will take place would be useful as part of the section on 'Managing Monitoring and Evaluation'. WEFO has implemented this by

including the detail on the EAG, as discussed above, and including further information in the Technical Assistance Priority.

4.29. With respect to the evaluation arrangements for Strategic Frameworks it is not clear whether projects within Strategic Frameworks also need to be evaluated separately (i.e. an evaluation of the Strategic Framework itself and each project sponsored within it through the project sponsors' evaluation responsibilities). With regard to this recommendation that the requirements for evaluation of individual projects and/or of the Strategic Frameworks within which they are situated should be clarified, WEFO has advised that this will be fully covered in the Monitoring and Evaluation Plan, to be produced after adoption of the OP.

4.30. Further, it is not clear whether the £2m threshold refers to individual projects or any project sponsor who, in total, receives more than £2m (over what period?).

Publicity and information

4.31. There seems to be scope for a more pro-active and positive role for communication activity in highlighting the added value Structural Funds have brought to Wales. Regarding this recommendation, WEFO has added text to the OP explaining that the Communication Plan will demonstrate the potential added value of Structural Funds in Wales.

Target setting

4.32. As part of the monitoring and evaluation of the Programme, a set of indicators has been drawn up for each Priority. These are detailed within the Priorities Chapter of the OP. DTZ is currently in the process of working with WEFO to advise on the methodology used by WEFO in their target setting. Presently targets are set by WEFO's methodology of using available statistics to set a context for target setting. WEFO have then considered this in line with the amount of funding available for each Priority and the estimated costs of each intervention (i.e. the estimated cost of assisting an employer).

4.33. DTZ has provided objective advice and made recommendations relating to the methodology used for each target set. WEFO are currently considering this advice and the next steps will be for WEFO to finalise the targets in light of the advice given and negotiations with the Commission.

Added value in the Implementation chapter

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

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

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

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

4.38. Overall, it is clear that the Programme implementation aims to maximise Community added value by appropriately highlighting the

provisions in areas such as partnership, multi-annual programming and monitoring and evaluation.

Conclusions

4.39. The vast majority of recommendations relating to implementation arrangements have been actioned. A number of these have been agreed by WEFO at present and will be addressed through the revision of the Strategic Frameworks section of the OP or within other arrangements outwith the Programme, such as the Monitoring and Evaluation Plan.

5. ASSESSMENT OF CHANGES MADE IN RESPONSE TO COMMENTS

5.1. This chapter provides an overview of the changes made to the OP in respect of comments made by DTZ on the Consultation Document⁶. The chapter discusses the recommendations relating to: the appraisal of the Labour Market Analysis; the rationale and internal consistency; external consistency; and implementation and monitoring and evaluation arrangements.

5.2. Due to the fact that most of the recommendations made by DTZ have been accepted and implemented, not every one is detailed here in full. However, where appropriate, examples of the changes made are provided for illustrative purposes. Full details of all recommendations and WEFO's responses to recommendations are given in Annex D.

Recommendations relating to appraisal of the Analysis

5.3. As discussed in Chapter 2, DTZ appraised a first draft of the Labour Market Analysis and made a number of recommendations. In general, it was felt that the Labour Market Analysis did not focus sufficiently on EW. The Analysis tended to focus on the issues facing WWV and, as such, the challenges facing EW were not immediately obvious. This made it very difficult to understand and support the Programme Priorities that were suggested. DTZ recommended that the Analysis be revised. WEFO agreed and the Analysis was re-written. The latest draft is much stronger and clearly identifies the issues in EW and provides a strong basis for the Strategy and Priorities.

Recommendations relating to rationale and internal consistency

5.4. DTZ has found that, in general, the rationale of the ESF Competitiveness Programme is well developed.

⁶ <http://www.wefotest.wales.gov.uk/resource/2006-11-29-ESF-comp-OP-consultation-version-for-printing.pdf>

5.5. It was previously recommended that the evidence detailed in the Strategy needed to be included in the Analysis to ensure greater consistency and logic of argument.

5.6. In their appraisal of the first draft of the strategy, DTZ concluded that there are a number of areas where the link between the Analysis and the Programme Priorities and Themes could be strengthened. Below we demonstrate how WEFO has implemented the majority of the original recommendations:

- The Analysis needed to set out the underlying need for intervention under Priority 1. There was potential scope to enhance the focus of Priority 1 on key target groups.

WEFO accepted this and P1 is targeted on specific groups.

- The Programme should identify explicitly how interventions will contribute to achieving a higher value-added industrial mix, for example by providing skills for specific sectors under Priority 2.

Activity is now focused on ten growth sectors.

- Providing an explicit link between the Programme Priorities and the vision would strengthen the argument.

The structure has been improved and the link strengthened.

- Gender inequality in terms of sectoral concentration should be covered within the Analysis.

WEFO has not implemented this, but have removed the Theme (which was Theme 3: Promoting gender equality within the workforce) from P2. Promoting gender equality is a CCT.

- The validity of Priority 1 should be considered within the context of this specific Programme, as should whether the intervention provides added value in this policy area, given the limited resources available and the mainstream programmes available to address this.

WEFO has made clear in the OP that given the limited resources available, it is important that the activities under this Priority build on, rather than replicate, action already being undertaken through UK Government employment programmes and initiatives such as Pathways to Work for example (due to be rolled out across East Wales from October 2007). Duplication of activity will be avoided by Programme activities focusing on extending the initial reach of engagement available through other such programmes.

- The Theme focusing on basic skill provision needs to be considered within the context of EW and the overall vision. The Programme has limited resources and funding activities to improve increasing basic skills may not add a great deal of value.

WEFO has enhanced the Analysis, which presents a stronger case for basic skills development. Softer skills included as part of the Priority.

- Theme 2 of Priority 2 provides the clearest link of the Programme to productivity and economic growth. This link should be highlighted and consideration should be given on whether this Theme should have a high emphasis in the new Programme.

WEFO has enhanced focus on higher skills and the link has been highlighted.

- The Theme of improving systems of workforce development has scope to be developed to include focus on higher skills, or specific technical and practical skills, above NVQ Level 2 attainment.

WEFO increased reference to higher skills and value-adding sectors. Technical and practical skills now referenced.

- The Programme needs to differentiate between skills gap and skills shortage and ensure that the Priority adequately reflects this need, for example in relation to different sectors, localities and levels of skills.

WEFO has not implemented this recommendation.

- The underlying rationale for all Themes under Priority 2 should be made more explicit to show how they will address skills for the economy (as opposed to employability).

The rationale has been made more explicit.

- Consideration should be given to the financial allocations to ensure that funding is not spread thinly across too broad a Programme mix as this would limit the effectiveness of the Programme in addressing the key issues pertinent to EW.

WEFO has accepted this recommendation.

- The link between Analysis, Strategy and Priorities and Themes should be made more explicit and it should be considered whether there is scope to include more innovative interventions, with possibly higher risk, but also potential for greater impact.

WEFO has strengthened linkages between each element of the OP. WEFO has not included higher-risk interventions.

5.7. WEFO has implemented changes to reflect the majority of the recommendations made by DTZ. The greatest change was the strengthening of the EW dimension of the Analysis and the strengthening of the alignment of between the Analysis and the Strategy. This provided a strong basis for the Programme Priorities, which now have a clear logical chain.

5.8. Other substantive changes included the target focus on individual groups and the inclusion of interventions to support higher-level skills and value-adding sectors of the economy.

5.9. An area that WEFO still needs to consider is the issue relating to skills gaps and skills shortages and the implication for this in terms of whether activity is aimed at increasing individuals' employability or increasing the regional GVA. Focusing on the ten growth sectors identified in W:AVE may not be appropriate in addressing skills for employability. It is recommended that WEFO consider the focus of these two elements again.

5.10. The Programme Priorities have a high degree of internal consistency.

Recommendations relating to consistency with other strategies and policies

5.11. For the most part, the Programme is considered consistent with policies and strategies at the European level.

5.12. Given EW's relative employment and skills attainment (which are above the Lisbon targets), DTZ previously recommended that greater focus should be given to knowledge and innovation for growth. For example, by focusing on R&D, innovation and education as a key driver for productivity growth and for encouraging growth in the number of educated and trained researchers. Other examples included in Lisbon are establishing innovation poles that bring together SMEs universities and training centres. These were not focused on by the Programme and it was recommended that they should be considered.

5.13. This recommendation was primarily addressed by improvements to the Analysis, which did highlight a need to improve employment and basic skills amongst different groups. In addition, Priority 2 was enhanced to include a greater focus on higher skills and value-adding sectors.

5.14. The Programme strategy is largely consistent with UK policies and strategies.

5.15. The Programme strategy is also largely consistent with key Welsh Policies. Ways previously identified by DTZ to strengthen consistency include:

- Spatial targeting should be explored in greater detail in the Programme in terms of geographical areas with high concentrations of target groups; and
- References to the Welsh language should be made more explicit.

5.16. Spatial targeting has not been included in the Priority details, with Priorities focused on key groups instead. This is supported by the Analysis. Reference is also made in the OP to the role of the Wales Spatial Plan in setting the framework for Structural Funds implementation and partnership arrangements.

5.17. Reference to the Welsh language has not been made more explicit, although it is partially referenced in the Equal Opportunities CCT section.

5.18. It was previously recommended by DTZ that the consistency between the ESF Competitiveness Programme and the ERDF Competitiveness Programme could be enhanced. The original focus of the ESF Competitiveness Programme on unemployment, inactivity and basic skills did not support the ERDF Competitiveness Programme which has a much stronger emphasis on the higher skills needs of the economy, to support knowledge and innovation and business competitiveness and growth.

5.19. WEFO has responded to the recommendation, and whilst the ESF Competitiveness Programme continues to include unemployment, inactivity and basic skills, the justification for their inclusion is improved. Secondly, the strengthening of emphasis on higher skills and higher value-added growth sectors are more closely aligned to ERDF Competitiveness Programme Priorities.

Recommendations relating to implementation arrangements

5.20. As noted in Chapter 5 of this report the majority of recommendations relating to the implementation arrangements have been accepted and actioned by WEFO. Examples include the introduction of a section in the OP discussing the new Knowledge Management system (PPIMS) and the inclusion of additional text highlighting how the Communication Plan will demonstrate the potential added value of Structural Funds in Wales.

5.21. Several recommendations have been agreed to by WEFO but will be implemented outwith the OP. For example DTZ previously recommended that more detail on what criteria will drive project selection would be useful. WEFO advise that this will be provided as part of the eligibility criteria, which will be produced within six months of adoption of the OP.

5.22. As regards Strategic Frameworks (SFs), WEFO is revising the section on this to explore in more detail the rationale behind the introduction of SFs as recommended. In addition to this overarching comment, WEFO advise that several other recommendations will be addressed through the revision of this section, including:

- The interaction of the PMC with the Strategic Frameworks should be explored, for example in relation to project selection criteria;
- The term 'deeper interventions' needs to be explained; and
- The role of the Wales Spatial Plan in implementation needs to be refined and explained in more detail.

5.23. It should be noted that as regards risk management DTZ previously recommended that a high-level risk register be included in the Implementation chapter. WEFO declined to include such a register, advising that the revised Strategic Framework section would also include reference to risk management and mitigation. However, this remains the only recommendation relating to implementation that WEFO did not specifically implement.

5.24. DTZ previously made a number of recommendations relating specifically to monitoring and evaluation. Whilst WEFO has agreed with these, at this time work is still underway to gather the appropriate information and implement the following recommendations:

- More detail on the role of regular monitoring and evaluation in reporting progress to the wider stakeholders in Wales would be helpful;
- More detail on how evaluation capacity will be built up in this funding period would be helpful; and
- The requirements for evaluation of individual projects and/or of the Strategic Frameworks within which they are situated should be clarified.

Conclusions

5.25. Overall the extent to which WEFO has implemented recommendations has been noteworthy and the OP is a more robust document as a result. Few recommendations remain outstanding at this point. Annex D provides the full details of each recommendation made and how WEFO has responded to each of these.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1. This chapter provides a summary of the Ex Ante Evaluation and draws together the main conclusions from each element of the appraisal. This chapter also assesses the extent to which the evaluation has achieved its objectives, as set out by European regulations and the study brief provided by WEFO. In line with the key objectives required of the appraisal this chapter draws conclusions on the main areas appraised, namely:

- The Labour Market Analysis of the EW area;
- The extent to which the rationale of the ESF Competitiveness Programme and its strategy are targeted at addressing the issues that emerged from the Analysis;
- The extent to which the Priorities of the Programme are internally consistent and free from gaps or duplication;
- The extent to which the Programme is externally consistent with the objectives of policy and strategy at Welsh national, UK and EU level;
- The implementation arrangements for the Programme;
- The monitoring and evaluation strategy;
- The indicators and target set for the Programme;
- The extent to which the recommendations made by DTZ have been implemented by WEFO, and how they affected the development of the OP; and
- A discussion of how the Programme seeks to maximise Community added value and incorporates the lessons learned from evaluations of previous Programmes.

Appraisal of the Labour Market Analysis

6.2. Programme development began with an analysis of the labour market environment in EW with a view to identifying the key areas for Programme

intervention. As stated in the Labour Market Analysis, the overarching aim of the ESF is to strengthen economic and social cohesion by improving employment opportunities. Specifically the ESF is designed to increase growth by promoting employment and adaptability and by enhancing human capital. The extent to which the Programme achieves this depends initially on how well the Analysis identifies the areas in which intervention could be most effective. The first draft of this Analysis was submitted to DTZ on 12 April 2006 and comments and recommendations were provided back to WEFO.

6.3. WEFO subsequently provided a second draft to DTZ on 31 July 2006. DTZ evaluated this draft and found that whilst a number of recommendations had been implemented, which improved the document, the Analysis still failed to specifically examine the issues facing EW (as opposed to WWV). DTZ recommended that the Analysis was re-visited and that the evidence referenced in the strategy was included in the Analysis. It was further recommended that greater emphasis be placed on EW.

6.4. WEFO implemented the recommendation and the Analysis now included in the OP is substantially improved. There is a clear focus on EW, the evidence is well presented and the issues facing EW clearly identified. This provides a strong basis for the Programme.

6.5. As well as addressing the content of the Analysis, DTZ also looked at issues related to the use of data and concluded that the data sources used were credible and up-to-date, that conclusions reached were based on sufficient evidence and that overall the Analysis was accurate, comprehensive and relevant, thus providing a good foundation for identification of the Priorities for the Programme.

Appraisal of the Programme rationale and internal consistency

6.6. This objective was achieved by DTZ through analysis of the Programme strategy chapter and an assessment of the strategy as compared to the needs and issues in the EW area identified in the Analysis.

6.7. As with other stages in the evaluation, DTZ made a number of comments and recommendations on the strategy in order to strengthen its rationale and internal consistency. The majority of the comments made were in reference to the appropriateness of Programme focus given the evidence that was presented in the Analysis. In essence, there was a mismatch between the issues highlighted in the Analysis and the Programme Priorities suggested. DTZ recommended that the Analysis was reviewed and that the rationale for the Priorities reassessed.

6.8. Improvements made to the Analysis had a substantial positive impact on the relevance of the Priorities to the issues in EW. Furthermore, WEFO accepted DTZ's recommendation that Priority 1 would benefit from a greater focus on specific groups shown to be at disadvantage; and that Priority 2 should support the development of skills beyond basic skills.

6.9. An area that WEFO still need to consider is the issue relating to skills gaps and skills shortages and the implications in terms of whether activity is aimed at increasing individuals' employability or increasing the regional GVA. Focusing on the ten growth sectors identified in W:AVE may not be appropriate in addressing skills for employability. It is recommended that WEFO consider the focus of these two elements again.

Appraisal of the external consistency

6.10. An important part of this evaluation is the appraisal of the extent to which the Programme is in line with other Welsh national policies, and strategies and policies at the UK and EU level. In this regard it is concluded that in the main the objectives and aims of the Programme are cohesive with other relevant policies, and contribute in an appropriate manner to the achievement of the objectives of these other policies and strategies. In order to arrive at these conclusions DTZ assessed the content and aims of each element of the Programme's Priorities against various documents and policies at Welsh, UK and EU levels including (amongst others as detailed in Chapter 4):

- The Lisbon Strategy;

- The Gothenburg Agenda / Environmental Sustainability;
- The Third Report on Economic and Social Cohesion;
- The UK National Strategic Framework
- UK National Reform Plan;
- Wales: A Vibrant Economy; and
- Wales: A Better Country.

6.11. Further, the Programme was also assessed in terms of its cohesion with other Structural Fund programmes in Wales such as the ERDF Competitiveness Programme and the ERDF and ESF Convergence Programmes and, following improvements made by WEFO, was found to be consistent with the content and direction of these Programmes.

Appraisal of elements relating to implementation, including monitoring and evaluation

6.12. As regards the implementation arrangements the vast majority of DTZ's recommendations have been addressed in the latest OP. For example WEFO has introduced a new Knowledge Management system (PPIMS) and implemented the recommendation that further detail on this be included in the OP. Other recommendations will be implemented through documentation and guidance to be produced by WEFO following the adoption of the Programme. For example DTZ advised that more detail on what criteria will drive project selection would be useful. WEFO advise that this will be produced as part of the eligibility criteria, produced within six months of adoption of the OP.

6.13. WEFO is currently revising the section on Strategic Frameworks and DTZ is advised that this will address recommendations made in relation to explaining the underlying rationale for the Frameworks, as well as other issues relating to their monitoring and evaluation, the interaction of the PMC

with the Frameworks and the role of the Wales Spatial Plan in implementation.

- 6.14. With regard to risk management DTZ recommended that a high-level risk register should be included in the Implementation Chapter of the OP. However WEFO declined to action this recommendation, stating that reference will be made to risk management and mitigation in the revised Strategic Framework section. In relation to implementation arrangements for the ESF Competitiveness Programme, this remains the only recommendation not actioned.

Indicators and targets

- 6.15. As part of the monitoring and evaluation of the Programme, a set of indicators has been drawn up for each Priority. These are detailed within the Priorities Chapter of the OP. DTZ is currently in the process of working with WEFO to advise on the methodology used by WEFO in their target setting. Presently targets are set by WEFO's methodology of using available statistics to set a context for target setting. WEFO have then considered this in line with the amount of funding available for each Priority and the estimated costs of each intervention (i.e. the estimated cost of assisting an employer).

- 6.16. DTZ has provided objective advice and made recommendations relating to the methodology used for each target set. WEFO are currently considering this advice and the next steps will be for WEFO to finalise the targets in light of the advice given and negotiations with the Commission.

Implementation of recommendations

- 6.17. Chapter 6 of this report discusses the extent to which the recommendations made have been implemented by WEFO, with the conclusion that the vast majority have been agreed upon and implemented. Where comments or recommendations were not agreed upon, these individual cases were highlighted and discussed.

Minor editing points

6.18. Throughout the OP there are typing and editing errors. In most cases, these cannot be misinterpreted and do not change the meaning of the OP. However, there are some that could lead to a different interpretation. The following provides examples of the most substantive editorial errors.

- Reference to West Wales and the Valley instead of East Wales – for example para 2.4, 2.5 and 2.6 (pages 6-8); para 5.52 (page 121).
- Literacy referenced twice as opposed to literacy and numeracy Para 2.77 (p 42).
- Reference to Convergence Programme instead of Competitiveness Programme – for example second paragraph on page 68, page 85; the heading of the financial allocation table on page 161.
- Typos that change interpretation: for example ‘Social Inclusion’ instead of ‘Social Exclusion’ page 71-72 (top of page); the paragraph on page 100-101 in reference to WABC suggests that Wales should not attempt to add value or improve on relative GDP figures.
- Minor typing errors – for example para 4.9, page 90 ‘thorough’ instead of ‘through’.
- Missing information and drafting notes – for example the third and fourth paragraphs on page 3, as well as page 62, page 123, page 125, and page 132.

6.19. DTZ have only provided examples and therefore advise that WEFO ensure that the OP is carefully proofread prior to final submission.

Added value and lessons learned

6.20. Throughout the process, the ex ante evaluation has also assessed the extent to which the Programme maximises Community added value. The evaluation has clearly shown that the Programme aims to maximise added value by:

- Supporting Community economic and social cohesion objectives;
- Being strongly complementary to Community priorities, especially Lisbon;
- Adding value through high leverage and additionality; and
- Adding value through the method of implementation.

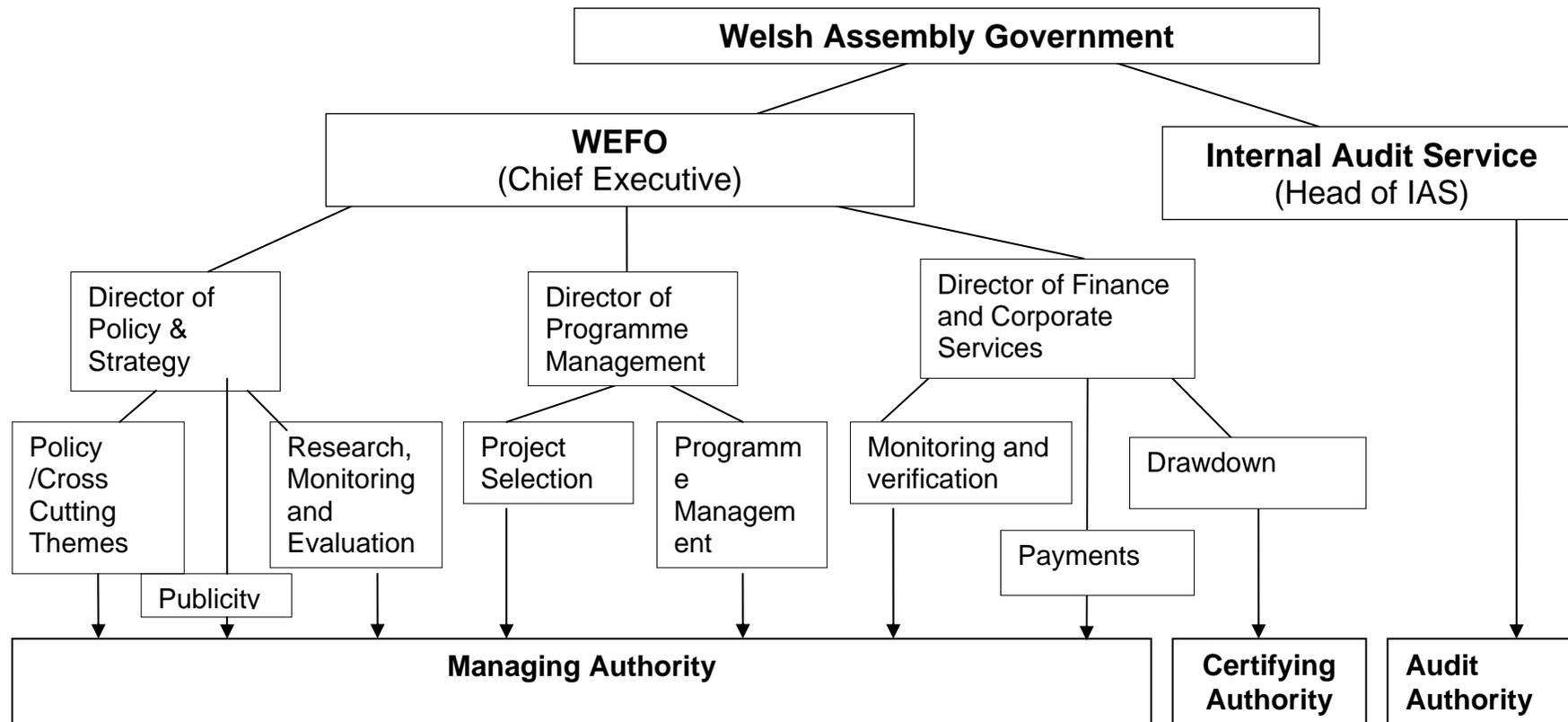
6.21. The integration of the lessons learned from previous programmes is discussed throughout the OP. Those drafting the Programme interacted with the recommendations and conclusions arising from the Lessons Learned exercise at an early stage and as a consequence the Programme embodies, as far as possible within the context of some significant changes from the previous round, the key lessons learned from previous Programmes. This also applies to the approach to Community added value, which builds on lessons learned from previous programmes throughout, aiming to maximise Community added value with the new Programme.

Conclusions

6.22. In conclusion, the ESF Competitiveness Programme is a robust and coherent Programme that adequately seeks to address the employment market failures and problems in East Wales. The aims of the Programme are internally consistent and are in line with external policies at the Welsh, UK and EU level. It forms a solid foundation for taking forward the vision for EW to be at the forefront of the drive towards improving the social, economic and environmental conditions within Europe.

ANNEX F – ORGANOGRAM

Welsh Assembly Government – Organogram Showing Structural Fund Authority Responsibilities



Note: Responsibilities are allocated so as to ensure appropriate separation of functions in accordance with the principles of sound financial management

ANNEX G - INDICATIVE LIST OF STRATEGIC FRAMEWORKS

Increasing Employment and Tackling Economic Inactivity

(ESF Regional Competitiveness & Employment Priority 1) and (ESF Convergence Priority 2)

Helping more people into work through active labour market interventions, addressing barriers to employment, including promoting healthier lifestyles.

Co-ordinating Organisation: Dept for Education, Culture & Welsh Language supported by Dept for Economy & Transport, Department for Health and Social Services (DHSS), Public Health and Health Professions Dept, and Job Centre Plus.

Improving Skills levels and the Adaptability of the workforce

(ESF Priority 2)

(Regional Competitiveness & Employment Programme only)

Improving basic skills in literacy, numeracy and ICT and helping low skilled workers to gain the skills and qualifications to improve their employability, leadership and management skills at intermediate and higher levels for small scale SMEs ie under 50 employees, and workforce systems development.

Co-ordinating Organisation: Dept for Education, Culture & Welsh Language supported by Dept for Economy & Transport.

ANNEX H – STRATEGIC FRAMEWORK CO-ORDINATOR RESPONSIBILITIES

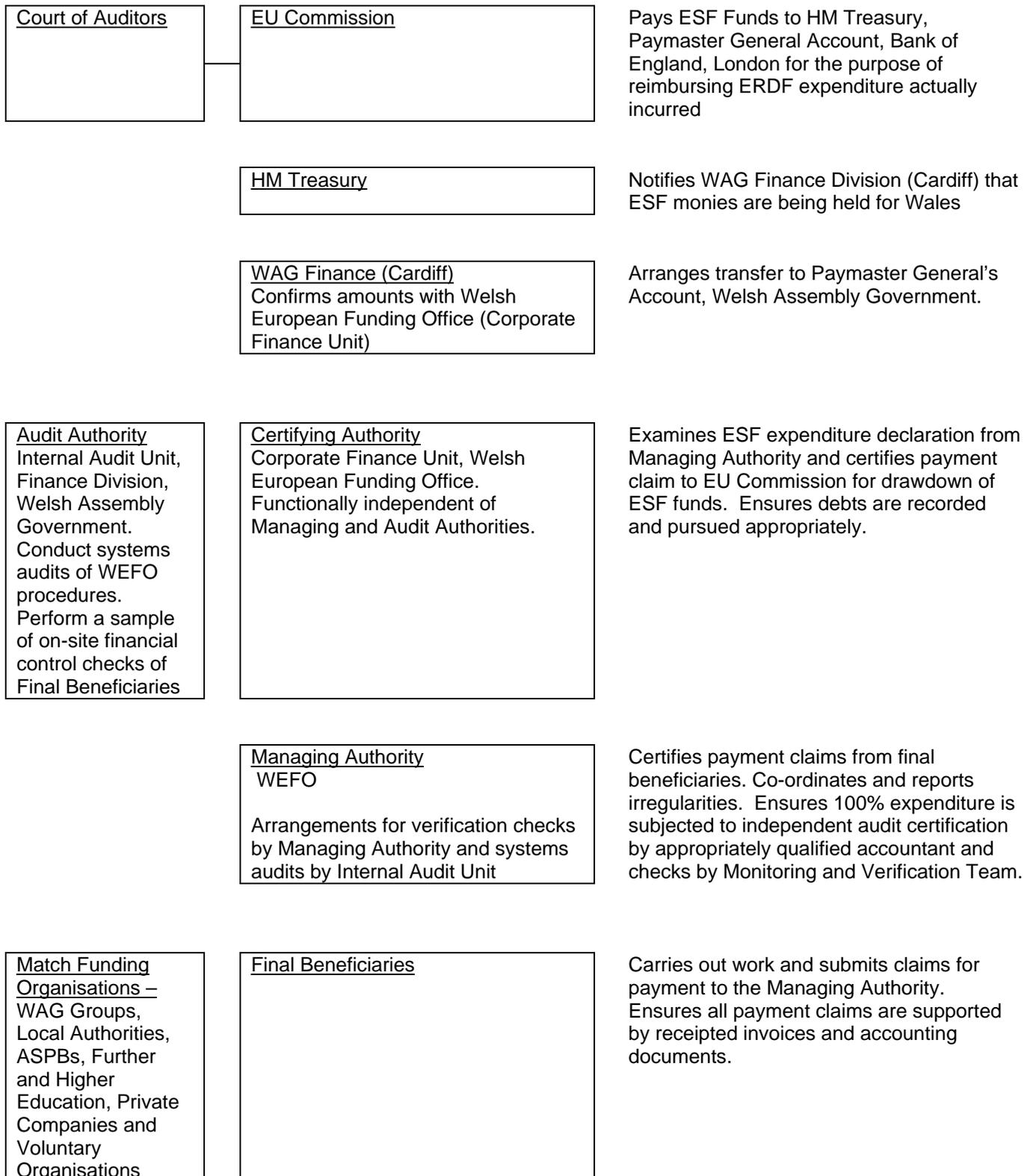
Strategic Framework co-ordinators will be responsible for:

- working with partnerships to develop, review and maintain the Framework;
- working with the Spatial European Teams to ensure effective spatial input to the Framework;
- securing agreement with the Managing Authority on the shape and content of the Framework in respect of its contribution to the Programme Priority;
- disseminating information about the Framework and promoting its aims and objectives;
- encouraging new and innovative approaches to delivering on Framework objectives;
- encouraging joined-up action on project development;
- handling enquiries about the Framework, together with the Managing Authority staff, and discussing project ideas with prospective sponsors;
- advising on an overall evaluation plan for the Framework and assisting the Managing Authority's Research, Monitoring and Evaluation Branch in the planning and implementation of evaluation exercises; and
- working with partnerships to develop, review and maintain the Framework.

ANNEX I – FINANCIAL FLOWS AND CONTROLS

East Wales ESF Regional Competitiveness and Employment Programme OP 2007-13

Financial Flows and Controls



ANNEX J – SUMMARY OF THE MONITORING AND EVALUATION PLAN

1. Introduction

This Annex supplements the information provided in Chapter 6, Implementation Arrangements on monitoring and evaluation and provides the link to the full Monitoring and Evaluation Plan. The technical components of monitoring and evaluation are provided in the full plan.

The Monitoring and Evaluation Plan will be published on the Managing Authority website and will be updated at appropriate intervals. It will be developed in consultation with the Evaluation Advisory Group. The plan will be considered by the Programme Monitoring Committee. Section four of the Plan contains a two year forward work programme. This will be updated as work progresses.

2. Monitoring

As indicated in the Operational Programme, the approach taken to monitoring is two-fold: to monitor the context in which the Programme is being implemented; and to monitor specific and attributable outputs to the Programme, against which projects will report.

The Operational Programme contains both high-level tracking indicators (context indicators) and Programme-level indicators (at Priority level, some of which are aggregated to Programme level).

The high-level tracking indicators are derived from the short-listed Lisbon Structural Indicators and the Welsh Assembly Government's economic development strategy, *Wales: A Vibrant Economy*. They are used to monitor changes in the socio-economic context of the programme and will be reported against where appropriate in the Annual Implementation Report. These are to enable the PMC and others to assess the changing economic context in which the Operational Programme is being delivered and to form a background for assessment of progress.

Programme indicators relate to the effects of the intervention. They fall into three categories: output; result; and impact, and are linked together in a logical chain. These indicators are set at Priority level and they have been selected carefully to reflect the breadth of individual Priorities, while focusing on the key Priority objectives and the Cross Cutting Themes. They are to enable the Managing Authority, PMC and others to make an assessment of the direct contribution of the Programme.

Projects will be required to select all the relevant indicators from those available within the Priority from which they are being funded and they will be given direction in this by the Managing Authority. The timescales and relevant milestones for reporting the monitoring data will be agreed with Managing Authority when the project is being developed. Projects will report their monitoring data through the

new PPIMS database, further details of which are given in Chapter 6 - Implementing Provisions.

Projects will be required, where relevant, to provide participant-level and enterprise-level information to the Managing Authority. To facilitate the collection process, the Managing Authority will provide projects with a template for the collection of participant details. This should allow project-level databases to interface with the PPIMS database. The participant, and enterprise, database will allow the Managing Authority to capture a significantly greater depth of data than is currently collected and to allow reporting of the category breakdowns required under Article 66(2) and Annex XXIII of the Implementing Regulation.

Article 66 states that the Managing Authority and the Monitoring Committee will carry out the monitoring by reference to the financial indicators and the indicators referred to in Article 37(1)(c), and specified in the Operational Programme under the Priority Axes.

The Managing Authority will report to the PMC for it to be able to satisfy itself as to the effectiveness and quality of the implementation and achievement of all the OPs. The style and types of reports required, along with the reporting timeframes, will be subject to consultation with the PMC.

In accordance with Article 67, WEFO, as the Managing Authority, will submit electronically an Annual Implementation Report to the Commission within six months of the end of each full calendar year of implementation. The Annual Implementation Report will be considered and approved by the Programme Monitoring Committee, in accordance with Article 65(d). The first report will be provided to the Commission by 30 June 2008.

3. Evaluation

Three levels of evaluation are planned for the Programmes. These are: Programme level; strategic framework; and project level. Each of these evaluation types will have distinctly different approaches but it is important to ensure that there is some commonality between the evaluations so that any issues arising are able to be examined in their entirety - see Section 3(c).

(a) Programme level evaluation

Articles 47 and 48 require the Managing Authority to ensure that evaluation of the Programme is undertaken, including evaluations at Priority level, as appropriate. The evaluations will assist with Programme implementation and will focus on both strategic (policy) and operational (process) needs and will help to improve the quality, effectiveness and consistency of the assistance. The Programme level evaluations will address the following issues:

- **Relevance:** are the Programme objectives appropriate?
- **Effectiveness:** have the objectives of the Programme been achieved?
- **Efficiency:** is the Programme cost-effective and what sort of value for money is being achieved?

- **Utility:** have the needs of the target groups been met or could more be done?
- **Sustainability:** will the Programme effects be sustained?
- **Synergy:** has the Programme complemented and enhanced the effects of related European and domestic policies and interventions?

Evaluation will be undertaken on a more flexible basis in the 2007-2013 Programmes in accordance with the Commission's emphasis on on-going evaluation. In practice, this means that the evaluation will be more demand driven, responding to policy and programme needs as opposed to regulatory imperatives.

These evaluations will be linked to Programme monitoring, in particular where Programme monitoring reveals a significant departure from the initial goals. Evaluation will also be undertaken where it is intended to substantially alter the design of the Programme or where there are any notable changes in the external environment. Programme level evaluation will be integrated throughout Programme delivery with the results of the evaluations potentially leading to changes in the scope or delivery of certain Priorities. In accordance with Article 48(3) the results of these evaluations will be sent to the PMC, the Commission and published on the website.

The Managing Authority has set out the following key principles to guide the potential areas of investigation through the on-going evaluation process.

- The need to investigate potential areas of risk. These areas reflect Programme activities which are ambitious, for example by their innovative nature or their dependence on external factors or demand or because the indicators themselves are experimental.
- Areas that lack coverage through the routine monitoring system. This may be because indicators could not be identified or because their collection would entail a disproportionate resource requirement. This will be one of the first areas of work that is developed in close collaboration with the Evaluation Advisory Group.
- Areas which are substantially over-achieving or under-achieving on targets. This may be because of a change in the external conditions or could reflect a need to amend the targets.

The responsibility for considering the launch of an evaluation relating to a departure from the profiled targets lies with the Managing Authority. The Managing Authority acknowledges this is a complex area which encompasses more than simply relying on trigger points. Further guidelines will be developed in conjunction with the Evaluation Advisory Group.

The linkages between evaluation and Programme decision-making and the external context will be facilitated by a proactive approach to evaluation. This will involve evaluators having a regular dialogue with policy and Programme stakeholders through the Evaluation Advisory Group, PMC and other fora.

The Ex Ante Evaluations (Article 48) for the Regional Competitiveness & Employment Programmes (ERDF and ESF) were undertaken to ensure that resources are allocated optimally, and to maximise the quality of plans for Programme implementation. It was an interactive process, with the consultants commenting on early drafts of Programme documents and revisions being made in light of these comments.

The Ex Post Evaluation, described under Article 49(3), will be undertaken by the European Commission in close co-operation with the Managing Authority. It will cover the extent to which resources were used, the effectiveness and efficiency of programming, and the socio-economic impact. The evaluation shall aim to draw conclusions for the policy on economic and social cohesion. It will identify the factors that have had an influence on the success or otherwise of the Programme and identify good practice. This evaluation will be completed by the end of 2015.

An indicative list of potential Programme level evaluations is presented below. The Managing Authority will make final decisions on the evaluations that should take place during the programming period based on advice from the Evaluation Advisory Group. This list excludes the Ex Ante and Ex Post evaluations discussed above. The indicative activities are:

- a review establishing the effectiveness of implementation, administration and delivery of the Programmes, for example establishing the effectiveness of the Strategic Frameworks;
- on-going evaluation linked to a significant departure from the goals initially set out and to support Programme revisions;
- an overall assessment of the Programme outcomes which includes an evaluation of the impact of the Programmes in the areas such as: number of people helped into employment, number of people who gained qualifications, number of people helped into further learning, and the effectiveness of innovative activities. This work will complement the evaluation work linked to Strategic Frameworks;
- a consideration of the Cross Cutting Themes of Equal Opportunities and Environmental Sustainability. This may be achieved through a dedicated research project to assess the integration of the Themes or considering the Cross Cutting Themes in other evaluations; and
- For ESF, annual surveys of participants from 2009.

The Monitoring and Evaluation Plan includes details for the dissemination of findings. As a minimum all programme level evaluations will be presented to the PMC, sent to the Commission (Article 48(3)) and published on the Managing Authority website.

(b) Strategic Framework and project level evaluation

The Programme level evaluation activity will be complemented by project and Strategic Framework level evaluation. It is recognised that reporting against the monitoring indicators only provides a partial assessment of project progress and impact. For this reason the Managing Authority will strengthen its requirements for project and Strategic Framework level evaluation.

All project sponsors will be required to undertake or commission evaluations of their projects and have monitoring and evaluation plans agreed at the application stage. Strategic Frameworks will also be required to implement a monitoring and evaluation plan.

The Managing Authority will minimise the burden on projects while maximising the quality of the evaluation results and so the level and intensity of the evaluation activity will be proportionate to the size or risk of the project, and will be agreed with the project sponsor at the development stage. Costs associated with undertaking evaluation will be deemed an eligible cost within project costs.

All project sponsors that are awarded £2 million grant or more (ESF or ERDF) for a single project and all projects involved in implementing ERDF-supported innovative or experimental actions as defined in the ERDF Programmes, as well as projects identified as Innovative under Article 7 of the ESF Regulation (1081/2006), will be required to have the project externally evaluated by independent contractors. Other projects will be expected to carry out or commission evaluation in line with the proportionality principle outlined in Article 13.

As a result of these enhanced requirements, guidance will be developed to assist with the development of evaluation plans and the selection of appropriate evaluation methods at the project development stage. This will build on guidance developed for the 2000-2006 Programmes. Where appropriate, the fieldwork tools that the Managing Authority used during the 2000 – 2006 Programmes will be made available to Strategic Frameworks and projects should they wish to use them.

Throughout the programming period the Managing Authority will ensure that the quality of a sample of project-level evaluations are assessed to ensure that the evaluations are of a suitably robust quality enabling project sponsors and other stakeholders obtain full value from evaluations.

The Managing Authority will work with Strategic Frameworks and projects to ensure that suitable evaluation governance procedures are developed.

(c) Linking the different levels of evaluation

It is important to ensure that the various levels of evaluation (Programme, Framework and project) will interact to maximise the benefit derived and prevent duplication. A set of common questions that projects within a specific strategic framework will be expected to consider will be developed with the framework co-

ordinator. The questions will assist the framework-level evaluations by allowing a synthesis of the project evaluations within a particular framework.

4. Resources

Within the Managing Authority there is a dedicated research, monitoring and evaluation (RME) unit. RME will manage all the Programme level evaluation and provide advice and guidance for Strategic Framework level evaluation and also to projects. The resource will be strengthened to reflect these enhanced requirements. RME will provide the secretariat to the Evaluation Advisory Group, (EAG). It will provide regular monitoring and evaluation reports to the PMC. The team will be part funded by Technical Assistance.

5. Planned activity for 2007/08

The key activity for the start of this period is the Ex Ante evaluations for all the Programmes and the Strategic Environmental Assessments for the ERDF Programmes.

Besides this there are four further tasks:

- To ensure that the Evaluation Advisory Group is formed;
- To agree the Monitoring and Evaluation Plan with the EAG;
- To develop advice and guidance on monitoring and evaluation for Strategic Frameworks and projects; and
- To support Strategic Framework Co-ordinators in developing their evaluation plans.

All indicators and targets within this Operational Programme cover the whole Programme (Community, national public and national private funding) and are to be achieved by 2015.

Programme-level Indicators

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Total participants ¹	<i>647,000 total working age individuals (Annual Population Survey, 2005)</i>	26,600	Individual participant information	Annual reports and PMC meetings
Female participants ²	<i>317,000 total working age female individuals (Annual Population Survey, 2005)</i>	15,190	Individual participant information	Annual reports and PMC meetings
Economically inactive participants ³	<i>143,000 working age economically inactive* individuals (Annual Population Survey, 2005)</i>	11,900	Individual participant information	Annual reports and PMC meetings
Unemployed participants ^{4**}	<i>25,000 unemployed individuals aged 16+ (Annual Population Survey, 2005)</i>	2,100	Individual participant information	Annual reports and PMC meetings
Employed participants ⁵	<i>496,000 employed individuals aged 16+ (Annual Population Survey, 2005)</i>	12,600	Individual participant information	Annual reports and PMC meetings
Employers assisted ⁶	<i>69,700 enterprises active, 2003 (WAG, 2004)</i>	2,800	Individual participant information	Annual reports and PMC meetings

¹ The number of individuals participating in this Programme

² The number of female participants participating in this Programme

³ The number of participants who are economically inactive (excluding students) participating in this Programme

⁴ The number of participants who are unemployed participating in this Programme

⁵ The number of participants who are employed participating in this Programme

⁶ The number of employers that receive assistance through this Programme

Participants entering employment ⁷	<i>496,000 employed individuals aged 16+ (Annual Population Survey, 2005)</i>	3,500	Individual participant information	Annual reports and PMC meetings
Participants gaining qualifications ⁸	<i>553,000 working age individuals with qualifications (Annual Population Survey, 2005)</i>	9,650	Individual participant information	Annual reports and PMC meetings
Participants gaining a basic skills qualification ⁹	<i>111,000 working age individuals with qualifications below Level 2 (Annual Population Survey, 2005)</i>	5,740	Individual participant information	Annual reports and PMC meetings
Participants gaining a qualification at Level 2 ¹⁰	<i>143,000 working age individuals with qualifications at Level 2 (Annual Population Survey, 2005)</i>	2,570	Individual participant information	Annual reports and PMC meetings
Participants gaining a qualification at Level 3 ¹¹	<i>120,000 working age individuals with qualifications at Level 3 (Annual Population Survey, 2005)</i>	800	Individual participant information	Annual reports and PMC meetings
Participants gaining a qualification at Level 4 and above ¹²	<i>179,000 individuals with qualifications at Level 4 and above (Annual Population Survey, 2005)</i>	540	Individual participant information	Annual reports and PMC meetings
Participants entering further learning ¹³	<i>100,000 working age individuals in education (Annual Population Survey, 2005)</i>	4,620	Individual participant information	Annual reports and PMC meetings

*Economically inactive figures in the baseline include students

**Unemployed participants includes individuals under formal notice of redundancy

⁷ The number of participants entering employment following participation in this Programme

⁸ The number of participants gaining a qualification as a result of participation in this Programme

⁹ The number of participants gaining a basic skills qualification as a result of participation in this Programme

¹⁰ The number of participants gaining a qualification at Level 2 as a result of participation in this Programme

¹¹ The number of participants gaining a qualification at Level 3 as a result of participation in this Programme

¹² The number of participants gaining a qualification at Level 4 or above as a result of participation in this Programme

¹³ The number of participants entering further learning following participation in this Programme

Priority Level Indicators

Priority 1

The following indicators, relevant to the Priority, will be used to track the progress of projects and the Programme. The output and result indicators are monitoring indicators, which projects will be required to report against during the life of the project. The impact indicators are evaluation indicators and should be considered during project- and Programme-level evaluation.

In addition to reporting against these indicators, projects will be required to provide further monitoring information that underpins the indicators in order to meet Commission requirements as set out in Annex XXIII of the Implementing Regulations and to allow WEFO to assess the effectiveness of the Programme. In line with article 66(2) of the general regulation, monitoring information collected will allow for the breakdown of statistics by gender and size of the recipient undertakings, where appropriate.

Under the flexibility facility allowed for by Art 34(2) of Regulation (EC) 1083/2006, the ERDF indicator “Premises created or refurbished” will be available to capture ERDF activity funded through this Priority.

Baselines and targets are also presented in the table below. Unless stated, baselines are for East Wales. All targets are to be achieved by 2015.

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Outputs				
Total participants (Economically inactive and unemployed)	<i>168,000 total working age economically inactive* and 16+ unemployed individuals (Annual Population Survey, 2005)</i>	14,000	Individual participant information	Annual reports and PMC meetings

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	<i>143,000 working age economically inactive* individuals, 2005 (Annual Population Survey, 2005)</i>	85% of total participants	Individual participant information	Annual reports and PMC meetings
<i>Unemployed**</i>	<i>25,000 unemployed individuals aged 16+ (Annual Population Survey, 2005)</i>	15% of total participants		
<i>NEET participants</i>	<i>4,100 16-18 yr olds, not in education, training or employment (Annual Population Survey, 2005)</i>	-		
<i>BME participants</i>	<i>15,000 working age economically inactive or 16+ unemployed BME individuals (Annual Population Survey, 2005)</i>	12% of total participants		
<i>Older participants</i>	<i>49,000 individuals who are economically inactive aged 50 to statutory retirement age or unemployed, aged 50+ (Annual Population Survey, 2005)</i>	35% of total participants		
<i>Female participants</i>	<i>94,000 working age economically inactive* and 16+ unemployed female individuals (Annual Population Survey, 2005)</i>	59% of total participants		
<i>Participants with work-limiting health condition or disability</i>	<i>66,000 total economically inactive* and unemployed individuals with work-limiting health condition or disability (Annual Population Survey, 2005)</i>	45% of total participants		
<i>Lone parents</i>	<i>40,000 claiming New Deal for Lone Parents (NDLP) in Wales (Job Centre Plus)</i>	8% of total participants		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Employers assisted	<i>69,700 enterprises active, 2003 (WAG, 2004)</i>	700	Individual employer information	Annual reports and PMC meetings
Participants who receive support with caring responsibilities	<i>N/A</i>	-	Project information	Annual reports and PMC meetings
Projects using soft outcome measurement systems	<i>N/A</i>	50% of all projects	Management information	Annual reports and PMC meetings
Projects integrating sustainable development into awareness raising, education and training programmes	<i>N/A</i>	75% of all projects	Management information	Annual reports and PMC meetings
Results				

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants gaining qualifications – Economically inactive and unemployed	<i>121,000 working age economically inactive* and 16+ unemployed individuals with qualifications (Annual Population Survey, 2005)</i>	4,200	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	<i>102,000 working age economically inactive* individuals with qualifications (Annual Population Survey, 2005)</i>	-		
<i>Unemployed**</i>	<i>19,000 16+ unemployed individuals with qualifications (Annual Population Survey, 2005)</i>	-		
<i>NEET participants</i>	<i>49,000 16-19 year olds with qualifications (Annual Population Survey, 2005)</i>	-		
<i>Female participants</i>	<i>68,000 female working age economically inactive and 16+ unemployed female individuals with qualifications (Annual Population Survey, 2005)</i>	-		
<i>BME participants</i>	<i>11,000 working age economically inactive and 16+ unemployed BME individuals with qualifications (Annual Population Survey, 2005)</i>	-		
<i>Older participants</i>	<i>30,000 individuals who are economically inactive aged 50 to statutory retirement age or unemployed, aged 50+, with qualifications (Annual Population Survey, 2005)</i>	-		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<i>Participants with work-limiting health condition or disability</i>	<i>40,000 16+ unemployed and working age economically inactive disabled individuals with qualifications (Annual Population Survey, 2005)</i>	-	Individual participant information	Annual reports and PMC meetings
<i>Lone parents</i>	<i>40,000 claiming New Deal for Lone Parents (NDLP) in Wales (Job Centre Plus)</i>	-		
<i>Qualification levels to be gained:</i>	<i>Number of working age economically inactive and 16+ unemployed individuals with qualifications in EW:</i>		Of total receiving qualifications	
<i>Basic skills</i>	<i>Below Level 2 – 32,000</i>		55%	
<i>Level 2</i>	<i>At Level 2 – 36,000</i>		30%	
<i>Level 3</i>	<i>At Level 3 – 28,000</i>		10%	
<i>Level 4 and above</i>	<i>Level 4 and above – 24,000</i>		5%	

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants entering employment – Economically inactive and unemployed	<i>496,000 employed individuals aged 16+ (Annual Population Survey, 2005)</i>	3,500	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	<i>496,000 employed individuals aged 16+ (Annual Population Survey, 2005)</i>	-		
<i>Unemployed**</i>	<i>496,000 employed individuals aged 16+ (Annual Population Survey, 2005)</i>	-		
<i>NEET participants</i>	<i>20,000 16-18 year olds in employment (Annual Population Survey, 2005)</i>	-		
<i>Female participants</i>	<i>233,000 employed female individuals aged 16+ (Annual Population Survey, 2005)</i>	-		
<i>BME participants</i>	<i>16,000 BME individuals aged 16+ in employment (Annual Population Survey, 2005)</i>	-		
<i>Older participants</i>	<i>133,000 employed individuals aged 50+ (Annual Population Survey, 2005)</i>	-		
<i>Participants with work-limiting health condition or disability</i>	<i>63,000 employed disabled individuals (Annual Population Survey, 2005)</i>	-		
<i>Lone parents</i>	<i>40,000 claiming NDLP in Wales (Job Centre Plus)</i>	-		
		-		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants entering further learning – Economically inactive and unemployed	<i>100,400 working age individuals in education (Annual Population Survey, 2005)</i>	4,620	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	<i>100,400 working age individuals in education (Annual Population Survey, 2005)</i>	-		
<i>Unemployed**</i>	<i>100,400 working age individuals in education (Annual Population Survey, 2005)</i>	-		
<i>NEET participants</i>	<i>29,000 16-18 olds in education (Annual Population Survey, 2005)</i>	-		
<i>Female participants</i>	<i>N/A</i>	-		
<i>BME participants</i>	<i>10,000 BME working age individuals in education (Annual Population Survey, 2005)</i>	-		
<i>Older participants</i>	<i>6,000 individuals in education aged 50 to statutory retirement age (Annual Population Survey, 2005)</i>	-		
<i>Participants with work-limiting health condition or disability</i>	<i>12,000 working age disabled individuals in education (Annual Population Survey, 2005)</i>	-		
<i>Lone parents</i>	<i>40,000 claiming New Deal for Lone Parents in Wales (Job Centre Plus)</i>	-		
	-			

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants gaining other positive outcomes¹⁴ – Economically inactive and unemployed	N/A	4,620	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	N/A	-		
<i>Unemployed**</i>	N/A	-		
<i>NEET participants</i>	N/A	-		
<i>Female participants</i>	N/A	-		
<i>BME participants</i>	N/A	-		
<i>Older participants</i>	N/A	-		
<i>Participants with work-limiting health condition or disability</i>	N/A	-		
<i>Lone parents</i>	N/A	-		

¹⁴ Positive outcomes are intermediary outcomes including: completing courses; entering voluntary work; and attending a job interview.

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Employers adopting or improving equality and diversity strategies and monitoring systems	<i>N/A</i>	50% of all employers	Individual employer information	Annual reports and PMC meetings
Impact				

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants in employment at 12 months	N/A	-	Evaluation	Annually from 2009
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	N/A	-		
<i>Unemployed**</i>	N/A	-		
<i>Female participants</i>	N/A	-		
<i>NEET participants</i>	N/A	-		
<i>BME participants</i>	N/A	-		
<i>Older participants</i>	N/A	-		
<i>Participants with work-limiting health condition or disability</i>	N/A	-		
<i>Lone parents</i>	N/A	-		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants gaining part qualifications	N/A	-	Evaluation	Annually from 2009

*Economically inactive figures in the baseline include students

**Unemployed intervention group includes individuals under formal notice of redundancy

The following table demonstrates the links between the output, result, and impact indicators.

Output	Result	Impact
Projects		
Participants <i>(Economically inactive and unemployed)</i>	Participants entering employment	Participants in employment at 12 months
	Participants gaining qualifications	Participants gaining part qualifications
	Participants entering further learning	
	Participants gaining other positive outcomes	
Employers assisted	Employers adopting or improving equality and diversity strategies and	

	monitoring systems	
Participants who receive support with caring responsibilities		
Projects using soft outcome measurement systems		
Projects integrating sustainable development into awareness raising, education and training programmes		

Priority 2

The following indicators, relevant to the Priority, will be used to track the progress of projects and the Programme. The output and result indicators are monitoring indicators, which projects will be required to report against during the life of the project. The impact indicators are evaluation indicators and should be considered during project- and Programme-level evaluation.

In addition to reporting against these indicators, projects will be required to provide further monitoring information that underpins the indicators in order to meet Commission requirements as set out in Annex XXIII of the Implementing Regulations and to allow WEFO to assess the effectiveness of the Programme. In line with article 66(2) of the general regulation, monitoring information collected will allow for the breakdown of statistics by gender and size of the recipient undertakings, where appropriate.

Under the flexibility facility allowed for by Art 34(2) of Regulation (EC) 1083/2006, the ERDF indicator “Premises created or refurbished” will be available to capture ERDF activity funded through this Priority.

Baselines and targets are also presented in the table below. Unless stated, baselines are for East Wales. All targets are to be achieved by 2015.

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Outputs				
Total participants (Employed)	<i>496,000 employed individuals aged 16+ (Annual Population Survey, 2005)</i>	12,600	Individual participant information	Annual reports and PMC meetings
Female participants	<i>233,000 employed female individuals aged 16+ (Annual Population Survey, 2005)</i>	55% of total participants	Individual participant information	Annual reports and PMC meetings

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<i>Key intervention groups:</i>				
<i>Older participants</i>	<i>133,000 employed individuals aged 50+ (Annual Population Survey, 2005)</i>	30% of total participants	Individual participant information	Annual reports and PMC meetings
<i>BME participants</i>	<i>16,000 BME individuals aged 16+ in employment (Annual Population Survey, 2005)</i>	-		
<i>Participants with work-limiting health condition or disability</i>	<i>63,000 employed disabled individuals (Annual Population Survey, 2005)</i>	15% of total participants		
<i>Participants accessing basic skills qualifications</i>	<i>Not available</i>	55 % of total participants		
<i>Participants accessing Level 2 training</i>	<i>134,000 employed individuals aged 16+ with no qualifications or qualifications below Level 2 (Annual Population Survey, 2005)</i>	25 % of total participants		
<i>Participants accessing Level 3 training</i>	<i>244,000 employed individuals aged 16+ with no qualifications or qualifications below Level 3 (Annual Population Survey, 2005)</i>	10% of total participants		
<i>Participants accessing Level 4 and above training</i>	<i>337,000 employed individuals aged 16+ with no qualifications or qualifications below Level 4 (Annual Population Survey, 2005)</i>	10% of total participants		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<i>Female participants who work part-time</i>	<i>105,000 part-time employed female individuals aged 16+, 2006 (Stats Wales)</i>	25% of total participants		
Employers assisted	<i>69,700 enterprises active, 2003 (WAG, 2004)</i>	2,100	Individual employer information	Annual reports and PMC meetings
Research studies	<i>N/A</i>		- Project information	Annual reports and PMC meetings
Learning and development strategies	<i>N/A</i>		- Project information	Annual reports and PMC meetings
Projects delivering specialist training in sustainable development	<i>N/A</i>	10% of all projects	Management information	Annual reports and PMC meetings
Results				

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants gaining qualifications - Employed	<i>443,000 employed individuals aged 16+ with qualifications (Annual Population Survey, 2005)</i>	5,450	Individual participant information	Annual reports and PMC meetings

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<i>Qualification levels gained:</i>	<i>Number of employed individuals aged 16+ with qualifications at:</i>	Of total receiving qualifications	Individual participant information	Annual reports and PMC meetings
	<i>Below NQF Level 2 – 82,000 (Annual Population Survey, 2005)</i>	63% ¹⁵		
<i>Basic skills</i>				
<i>-Female</i>		-		
<i>-Older participants</i>		-		
<i>-BME participants</i>		-		
<i>-Participants with work-limiting health condition or disability</i>		-		
<i>- Female participants who work part-time</i>		-		
	<i>At Level 2 At NQF Level 2 – 110,000 (Annual Population Survey, 2005)</i>	24% ¹⁶		
<i>-Female</i>		-		
<i>-Older participants</i>		-		
<i>-BME participants</i>		-		
<i>-Participants with work-limiting health condition or disability</i>		-		
<i>- Female participants who work part-time</i>		-		

¹⁵ This equates to an attainment level of 50 per cent for those accessing basic skills qualifications

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<i>At Level 3</i>	<i>At NQF Level 3 – 94,000</i>	<i>7%¹⁷</i>		
<i>-Female</i>	<i>(Annual Population Survey, 2005)</i>	-		
<i>-Older participants</i>		-		
<i>-BME participants</i>		-		
<i>-Participants with work-limiting health condition or disability</i>		-		
<i>- Female participants who work part-time</i>		-		
<i>Level 4 and above</i>	<i>At NQF Level 4 and above – 158,000</i>	<i>6%¹⁸</i>		
<i>-Female</i>	<i>(Annual Population Survey, 2005)</i>	-		
<i>-Older participants</i>		-		
<i>-BME participants</i>		-		
<i>-Participants with work-limiting health condition or disability</i>		-		
<i>- Female participants who work part-time</i>		-		

¹⁶ This equates to an attainment level of 41 per cent for those accessing level 2 training

¹⁷ This equates to an attainment level of 30 per cent for those accessing level 3 training

¹⁸ This equates to an attainment level of 25 per cent for those accessing level 4 and above training

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Employers adopting or improving equality and diversity strategies and monitoring systems	<i>N/A</i>	50% of all employers	Individual employer information	Annual reports and PMC meetings
Impact	-	-		
Skills level of employment	<i>N/A</i>		- Evaluation	Annually from 2009
Pay level of employment	<i>N/A</i>		- Evaluation	Annually from 2009
Participants gaining part qualifications	<i>N/A</i>		- Evaluation	Annually from 2009

The following table demonstrates the links between the output, result, and impact indicators.

Output	→	Result	Impact
Projects			

Participants (<i>Employed</i>)	Participants gaining qualifications	Skills level of employment Pay level of employment
Employers assisted	Employers adopting or improving equality and diversity strategies and monitoring systems	
Research studies		
Learning and development strategies		
Projects delivering specialist training in sustainable development		

ESF Competitiveness Indicators – Brief Definitions

This brief guide provides clarifying notes on the indicators. Detailed definitions and guidance will be made available to project sponsors on the WEFO website.

Basic skills qualifications

Qualifications below Level 2

BME participants

The number of Black and Minority Ethnic participants.

Economically inactive participants

The number of working age participants who are neither employed nor unemployed. For the purposes of this indicator, those in full-time education are not included in the definition of the economically inactive.

Employers assisted

The number of employers that receive assistance through this Programme.

NEET participants

The number of participants who are aged 16-18 and not in education, employment or training.

Older participants

The number of participants aged 50+.

Part qualifications

A unit or credit towards a full accredited qualification which is formally recognised by an awarding body

Participants

The number of individuals participating in this Programme.

Participants entering employment

The number of participants entering employment following participation in this Programme.

Participants gaining qualifications

The number of participants gaining a full, accredited qualification as a result of participation in this Programme.

Participants gaining other positive outcomes

The number of participants gaining a positive outcome following participation in this Programme. Positive outcomes are intermediary outcomes including: completing courses; entering voluntary work; and attending a job interview.

Participants entering further learning

The number of participants entering further learning following participation in this Programme

Participants receiving individualized assistance with work- limiting health conditions or disabilities

women's career advancement.

Projects using soft outcome measurement systems

The number of projects using soft outcome measurement systems to assess the progress of some or all of its participants.

Unemployed participants

The number of participants who are without a job or who are under formal notice of redundancy but who are available to start work.

ANNEX L – SUMMARY OF CROSS-CUTTING THEMES LESSONS LEARNED FROM STRUCTURAL FUNDS PROGRAMMES 2000–2006

1. A Cross-Cutting Research Project¹ has reported a broad level of success with integrating the cross cutting themes into the Objective 1 and 3 programmes 2000-2006. The model used to build the cross cutting themes into the programme was judged to have been successful. This involved, defining horizontal and vertical activities within the programme, which addressed environmental sustainability and equal opportunities objectives. These were based on the key environmental and equality issues in the Region that needed to be addressed.

2. A similar overall approach will be taken for the Competitiveness Programme 2007-13 programme although a prime objective will be to help deliver outcomes identified in Welsh Assembly Government strategies that are consistent with European policy.

3. The inclusion of cross cutting theme targets within the Structural Funds programmes 2000–2006 was an important driver to encourage projects to address the cross cutting theme objectives. This also provided a means to monitor progress in meeting the cross cutting theme objectives. Specific issues identified for each theme are detailed below.

Environmental Sustainability

4. Although not a statutory requirement, the completion of a Strategic Environmental Assessment (SEA) within the current programme has been widely identified as an example of best practice. A commitment has been made to carry out an SEA on the Structural Funds programmes 2007–2013 to be fully compliant with the SEA Directive which came into force in 2004.

5. Specific examples of successful promotion of environmental sustainability in the Objective 1 programme 2000–2006 include:

- support provided for the development of the environmental goods and services sector of the Welsh economy;
- promoting the adoption of Environmental Management Systems by SMEs;
- prioritisation of developments on brownfield sites;
- promotion of high standards of environmental performance for new and refurbished buildings; and
- support for projects based on the sustainable use of the natural environment that made a significant contribution to sustainable development.

¹ Cross-cutting Research Project (Objective 1 and 3 programmes 2000–2006), May 2006:
<http://www.wefo.wales.gov.uk/resource/RME-CCT-2006-e4535.pdf>

6. In some areas the integration of environmental sustainability was less successful. Not all projects addressed the opportunities for integrating environmental issues and some environmental sustainability targets were missed because, for example, systems designed at the outset were not flexible enough to respond to changes. There were also delays in environmental infrastructure projects because of the lack of strategies at the programme outset, and delays with obtaining planning permission. Problems were experienced in attracting projects that focussed on more efficient use of water resources. Initially, support for land remediation projects was restricted to 'orphan sites' (sites not having an owner that would be responsible for pollution and remediation work). This proved to be a major restriction on potential projects and was amended subject to projects being able to demonstrate significant economic and social benefit.

7. A key finding of the research was the need to integrate the cross-cutting themes into projects at an early stage of development and this will be a key objective of the Competitiveness Programme. Strategies now exist that will help to identify and formulate major projects at an earlier stage in the programme that will make a significant contribution to environmental sustainability objectives.

8. The research indicated that the guidance produced for the Objective 1 Programme 2000–2006 on integration of environmental sustainability was well received. It is intended to build on this approach in the Competitiveness programme by inclusion of best practice examples.

Equal Opportunities

9. Specific examples of successful promotion of equal opportunities in the Objective 1 and 3 Programmes 2000–2006 include:

- a high number of new SMEs given advice owned by women, BME people and disabled people;
- significant numbers of additional childcare places created;
- a high percentage of initiatives addressing issues for disabled people, women and BME people;
- the reported percentage of BME people participating in the programmes was well above the working age population comparator; and
- a higher level of women supported through the programmes than would have been anticipated based upon their representation within the labour market generally.

10. The report also highlighted that more could have been achieved to encourage infrastructure development projects for childcare. Much of the funding has been spent on temporary crèche provision to support activities such as training. Furthermore, although the robustness of the data is open to question because of recording difficulties, participation rates for disabled people and Welsh speakers

could also have been higher. More emphasis also needs to be placed on the more difficult issues around gender such as horizontal and vertical segregation and equal pay, from which project sponsors have tendered to steer away.

Improvements for future programmes.

11. The research identified a number of issues that could improve the integration of the cross-cutting themes in the 2007–2013 programmes including:

- early integration of the cross-cutting themes into projects at the first stage of development to prevent them from being seen as a bolt-on to projects;
- more detailed guidance on equal opportunities and how sponsors can integrate the cross-cutting theme into their project;
- ensuring that the output targets are agreed up front and are accommodated in the design of the monitoring and evaluating procedures when the administration arrangements for the programmes are put in place; and
- the continuation of the approach of horizontal and vertical integration of the themes, along with the work of the Cross-cutting Unit within WEFO and the external Cross-cutting Theme Group.