

WALES PROGRAMME MONITORING COMMITTEE

EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014-2020

Date: 23 February 2015

Time: 2.00pm

Venue: Welsh Government Offices, Merthyr Tydfil

AGENDA

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|---|-------------|
| 1. Welcome and apologies | 2.00 – 2.05 |
| 2. Minutes of December meeting, actions and other matters arising | 2.05 – 2.10 |
| 3. Update on the Rural Development Programme | 2.10 – 2.25 |
| 4. PMC Sub-group: Measuring Success 2014-2020 | 2.25 – 2.40 |
| 5. Effective management of the transition between programming periods 2007-2013 and 2014-2020 to minimise disruption and funding gaps | 2.40 – 3.00 |
| 6. North Wales Economic Ambition Board (Sasha Davies) | 3.00 – 3.30 |
| <i>**Break 3.30 – 3.40**</i> | |
| 7. Julie Williams, Chief Scientific Advisor | 3.40 – 4.10 |
| 8. Examination and approval of the Structural Funds Communication Strategy | 4.10 – 4.40 |
| 9. Progress on fulfilling the outstanding Structural funds programme pre-conditions ('ex-ante conditionalities') | 4.40 – 4.55 |
| 10. AOB | 4.55 – 5.00 |

PWYLLGOR MONITRO RHAGLENNI CYMRU

CRONFEYDD STRWYTHUROL A BUDDSODDI EWROPEAIDD 2014-2020

Dyddiad: 23 Chwefror 2015

Amser: 2.00pm

Lleoliad: Swyddfeydd Llywodraeth Cymru, Merthyr Tudful

AGENDA

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|---|-------------|
| 1. Croeso ac ymddiheuriadau | 2.00 – 2.05 |
| 2. Cofnodion cyfarfod mis Rhagfyr, camau gweithredu, a materion eraill sy'n codi | 2.05 – 2.10 |
| 3. Y Newyddion Diweddaraf am y Rhaglen Datblygu Gwledig | 2.10 – 2.25 |
| 4. Is-grŵp y Pwyllgor Monitro Rhaglenni: Mesur Llwyddiant 2014-2020 | 2.25 – 2.40 |
| 5. Rheoli'r pontio mewn modd effeithiol rhwng cyfnodau rhaglennu 2007-2013 a 2014-2020, er mwyn sicrhau bod cyn lleied o drafferth a bylchau yn y cyllid ag sy'n bosibl | 2.40 – 3.00 |
| 6. Bwrdd Uchelgais Economaidd Gogledd Cymru (Sasha Davies) | 3.00 – 3.30 |
| <i>**Egwyl 3.30 – 3.40**</i> | |
| 7. Julie Williams, y Prif Gyngorydd Gwyddonol | 3.40 – 4.10 |
| 8. Archwilio a Chymeradwyo Strategaeth Cyfathrebu y Cronfeydd Strwythuro | 4.10 – 4.40 |
| 9. Datblygiadau ar gyflawni rhagamodau rhaglen y Cronfeydd Strwythurol sydd heb eu cwblhau ('amodoldebau ex-ante') | 4.40 – 4.55 |
| 10. Unrhyw Fater Arall | 4.55 – 5.00 |

**EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014–2020
WALES PROGRAMME MONITORING COMMITTEE**

Draft Minutes of meeting held on 5 December 2014

Item 1: Welcome and Apologies

1. The Chair welcomed Members to the first official meeting of the Wales Programme Monitoring Committee (WPMC). Members were informed that both the European Regional Development Fund (ERDF) and the European Social Fund (ESF) programmes, have been adopted by the European Commission (EC) and the Committee is now formally constituted to monitor the Structural Funds programmes. The Committee will begin monitoring the Wales Rural Development Programme following its adoption by the EC – see item 5.
2. Attendees and apologies are listed at **Annex A**.

Item 2: Minister for Finance and Government Business, Jane Hutt AM

3. The Chair introduced Jane Hutt AM, Minister for Finance and Government Business and invited her to address the PMC.
4. The Minister thanked the Chair and Members for the invitation to attend the first meeting of the formally constituted PMC for the Structural Fund Programmes. She was delighted that the Commission had formally approved the ESF programmes for Wales on 4 December 2014. This follows approval of the ERDF programmes in November. The PMC can now formally approve the investment assessment and selection criteria. This would enable WEFO to begin to approve operations and she hoped the first approved operation could be announced later in December.
5. The Minister stressed the importance of the PMC's role in monitoring the effective delivery of the 2014-2020 programmes. The focus on results will help demonstrate clearly their impact on the economy and the lives of people in Wales. The Common Agricultural Policy (CAP) and Rural Development Programme (RDP) represent substantial investments in farming and rural communities; approval of the RDP programme is expected in early 2015.
6. The Minister highlighted the need to achieve challenging goals agreed with the Commission in terms of outcomes and results. Investments will need to be directed to fewer areas of intervention to maximise their impact and the focus on results requires a different and more innovative approach. The establishment of the single PMC and Members' commitment and enthusiasm will ensure the challenges set by the Commission are achieved. A robust investment strategy is in place, which includes:
 - More funding for research and innovation; SME competitiveness; and renewable energy and energy efficiency;

- Scope to support transformation of public transport such as the Metro;
 - Over one-fifth of ESF funds to help tackle poverty by supporting people into work; and,
 - More support (a) to improve the skills of employees and (b) for young people to increase attainment levels and gain employment;
7. The Minister also announced that Dr Grahame Guilford, Dr Hywel Ceri Jones and Gaynor Richards have agreed to serve on a small EU Funding Ambassadors panel, established to help promote and maximise opportunities of EU directly managed programmes. It will meet quarterly. Members were thanked for the contribution they have already made in the development of the new programmes and for their ongoing commitment and enthusiasm ensuring EU funds deliver real economic and social benefits for businesses, young people and communities across Wales.
8. In response to questions from Members, the Minister advised:
- WEFO will have a critical role in ensuring that operations are deliverable and contribute to transformational change. Regional Partnerships will play an important role by signalling the priorities that achieve the greatest impact.
 - The programmes aim to tackle poverty through supporting people into work and the Tackling Poverty cross cutting theme will help to mainstream this across the funds.
 - The EU Ambassadors panel will provide the Government with the opportunity to look at synergies and links between Structural Funds and other EU funding programmes managed directly by the Commission and help promote and maximise opportunities presented by the EU's directly managed funding programmes for 2014–2020.
 - There is a significant increase in funding for investments in renewable energy and energy efficiency, with £154m available in the ERDF programme. Renewable energy and energy efficiency is a key area in the economy for development along with its contribution to tackling fuel poverty.
9. The Minister thanked Members for the opportunity to attend the meeting and looked forward to updates from the Chair on Members' views on the performance of the programmes as they progress.

Item 3: EU Project Showcase

10. Members were shown a short film highlighting a range of successful EU funded operations in Wales. The Chair noted the importance of promoting the positive impact of EU funds in Wales.

Item 4: Minutes of September meeting, action points and matters arising (WPMC (14) M04 with annexes)

11. The minutes of the 26 September 2014 meeting were agreed as a true and accurate record.
12. The Chair noted that at the next meeting scheduled for February 2015, it is hoped that a representative of the North Wales Economic Ambition Board and the Chief Scientific Advisor for Wales, Julie Williams, will attend to address the Committee.
13. Progress on action points arising from the previous meeting is listed at **Annex B**.

Item 5: Update on the Rural Development Programme negotiations

14. Terri Thomas advised that officials had recently returned from Brussels following negotiations on the Rural Development Programme (RDP). There are no substantive issues of disagreement on the Wales RDP proposals, however, due to thorough procedure involved (every single point in the Commission's observation letter needs to be cleared) and the very heavy volume of work being handled by the Commission services at this time it is expected that the RDP will not be informally agreed until early February 2015. Formal submission should follow shortly after that. It was also noted that officials have received an excellent level of support and engagement from DG Agri officials.
15. Members were reassured that this delay will not have an impact on funding, as existing schemes continue into 2015. Farming Connect would be extending its contract to try and avoid any gaps in provision. The PMC was also advised that a report and recommendations from the recent review of Farming Connect is now available on the Welsh Government website.
16. The PMC noted some concern that transition between programmes could result in gaps in funding and lead to a loss of experienced staff, including possible redundancies of EU project teams. Damien O'Brien advised that managing transition is now a priority for both Managing Authorities, although not all activity supported under the 2007 – 2013 programmes would be extended into the new programme period. The programmes were different in their focus and it was not simply 'business as usual'. All decisions to extend activity into the new programmes would need to be supported by robust evaluation. A paper on managing the transition between funding programme periods will be brought to the next meeting in February.

Action: Paper on managing the transition between programme periods to be brought to the next PMC (February 2015)

17. The Chair agreed to write to the Deputy Minister for Farming and Food, to express the PMC's disappointment at potential delays to the approval of the RDP.

Action: PMC Chair to write to the Deputy Minister for Farming and Food to express Members concerns about potential delays to the adoption of the RDP.

Item 6: Formal establishment of the Wales PMC and rules of procedure

18. Damien O'Brien advised that the PMC was now formally constituted following the agreement by the Commission of the ERDF and ESF programmes. Members were reminded that until the Commission formally adopts the RDP, the PMC can only make 'in principle' preparatory decisions in respect of the RDP programme.
19. The Chair highlighted the importance of continuity of membership and commitment of Members to regularly attend meetings. As detailed in the rules of procedure, the Chair will only agree in exceptional circumstances to allow attendance of an alternate.
20. The PMC was advised that a LEADER representative will be nominated once the LEADER groups are formally constituted, expected January 2015.
21. Members were advised that there have been no significant changes to the draft Rules of Procedure which were previously considered at a 'shadow' meeting. Members were therefore asked to adopt the PMC's Rules of Procedure.

Members **agreed the Rules of Procedure** for the Wales Programme Monitoring Committee European Structural and Investment Funds 2014-2020.

Item 7: Assessment and selection criteria to award support from the Structural Funds

22. David Thomas presented the final proposed methodology and criteria to be used by WEFO as the designated Managing Authority for the selection of ERDF and ESF operations for the 2014-2020 programme period. The PMC has been consulted on proposals at previous 'shadow' meetings and following detailed discussions, revisions to the evidence requirements and methodology have been incorporated into the final document.
23. It was stressed that the selection of operations will be a consistent process for all applicants and the guidance sets out clearly the requirements/ evidence requirements for each of the 9 selection criteria.
24. Damien O'Brien thanked those involved in developing the programmes over the last two years and securing approval of the new ERDF and ESF Structural Fund programmes, in particular:
 - The PMC as representatives of partners in Wales. A number of Members were involved in the EU Programmes Partnership Forum and other groups/ workstreams which enabled WEFO to negotiate high quality operational programmes with the EC.

- The considerable work undertaken by the Managing Authority, notably, Rob Halford's team who have led on the development of the Programmes and Sue Price and Jane McMillan on the ERDF and ESF elements.
- DG Regio and DG Employment for their support in guiding WEFO through the complex process and negotiating with other DGs on our behalf. In particular, the PMC registered its appreciation and gratitude to Guy Flament, Agnes Lindemans and Carmen Gonzalez Hernandez of DG Regio and Marc Vermyle and Filip Busz of DG Employment, all of whom worked diligently with WEFO to secure early approval of the Welsh programmes.

25. In discussion Members raised the following points:

- Important that any supporting guidance, in particular guidance around sustainable development is updated. PMC advised that this is currently being addressed by the Cross Cutting Themes Team.
- The increased emphasis on long term impact is welcomed but also important to have robust due diligence requirements to ensure organisations are resilient / well managed to implement operations, whilst recognising that smaller organisations and community groups can also make valuable contributions.
- To get operations delivering as soon as possible, it is important that Managing Authorities have the resources in place to assess applications.

26. In response to questions from Members, WEFO advised:

- Technical and Financial Appraisal Team within WEFO undertake a financial appraisal of applications submitted. For operations of a complex/ technical nature, and for which WEFO does not have the required expertise, the Team will co-ordinate the provision of expert advice.
- There are no set timescales for the application process. The timing of each application will vary depending on the complexity of the operation. The application process has been designed so that through discussions with WEFO, beneficiaries will be aware how long each section should take to complete.

27. The Chair thanked WEFO for producing clear selection criteria and welcomed the approach that allows potential beneficiaries to contact WEFO directly to discuss ideas for operations.

The PMC **approved the assessment and selection criteria** to award support from the Structural Funds.

Item 8: Implementation arrangements: simplified cost reimbursement options

28. Peter Ryland informed Members of one of the key changes to the 2014-2020 programmes - to introduce simpler ways of calculating grants through the use of flat-rate percentages and standard unit costs agreed in advance, known as 'simplified costs'.
29. The Commission encourages national programme authorities to embrace simplified costs and the Welsh Government welcomes the expanded use. Arrangements are in place to offer three types of simplified costs at programme launch and a range of options will be developed during the life of the programme depending on appetite and suitability.
30. Further information and guidance documents are available on the WEFO website.

Item 9: Any Other Business

31. The Chair reminded Members that as the PMC is now meeting formally all Members should ensure that they declare any conflicts of interest, by completing a register of interest form.
32. Damien O'Brien advised that a list of 'backbone' investments has been published on the WEFO website for information. There will also be user friendly versions of the programmes available on the website shortly.
33. The Chair thanked Members for their valuable contributions to the meeting. The next meeting will take place on Monday, 23 February 2015.

**PMC Secretariat
December 2014**

Wales PMC European Structural and Investment Funds 2014 -2020
Meeting held 5 December 2014
Welsh Government Office, Merthyr Tydfil

Minister for Finance & Government Business – Jane Hutt AM

Chair – Jenny Rathbone AM

Members nominated on a representative basis, from partners and statutory bodies:

Tom Whyatt	Business and Enterprise (Industry Wales)
Dr Greg Walker	Further Education (Colleges Wales)
Martin Mansfield	Trade Unions (Wales TUC)
Melanie Godfrey	Welsh Government (Education & Skills)
Matthew Quinn	Welsh Government (Natural Resources)
Jocelyn Llewellyn	UK Government (Jobcentre Plus)
Arfon Williams	Environmental NGOs (Wales Environment Link/RSPB)
Lowri Gwilym	Local Government (WLGA)
Phil Fiander	Third sector (WCVA)
Derek Walker	Social Economy (Wales Cooperative Centre)
Dr David Blaney	HEFCW (Higher Education Funding Council for Wales)
Rhian Nowell-Phillips	Farming and Rural businesses (FUW)
Cllr Ronnie Hughes	Local Government (WLGA)
Huw Owen	Welsh Government (Economy, Science and Transport)

Members selected via the Public appointments process:

Dr Grahame Guilford
Sian Price
Beth Winkley
Joy Kent
David (Dai) Davies
Professor Richard B. Davies

Programme Managing Authorities:

Welsh European Funding Office / Department for Natural Resources

Damien O'Brien	Chief Executive, WEFO (ERDF, ESF)
Terri Thomas	Head of CAP Planning Division (RDP)
Peter Ryland	Deputy Director, Programme Performance & Finance (ERDF, ESF)
Rob Halford	Head of Planning & Strategy (ERDF, ESF)
Sue Price	Head of ERDF Programmes
Jane McMillan	Head of ESF Programmes
Paul Casey	Head of Research Monitoring & Evaluation (RDP, ERDF, ESF)
Dean Langley	Head of Regulations & Compliance (RDP, ERDF, ESF)
David Thomas	Post 2013 Programme Implementation Manager

Vanessa Hansford	Secretariat
Lois Wilson	Secretariat

Jane Hutt AM	Minister for Finance and Government Business
Jeff Andrews	Specialist Advisor

Apologies

Karen Anthony	Rural Economy (CLA – Country Land & Business Association)
Ann Beynon	Business and Enterprise (Commerce Cymru)
Rhian Jardine	Environmental Sustainability (Natural Resources Wales)
Marcella Maxwell	Welsh Government (Economy Science & Transport)
Iestyn Davies	Business and Enterprise (Commerce Cymru)
Elaine DeBono	Head of Rural Payments Division
Margaret Thomas	Trade Unions (Wales TUC)
Prof April McMahon	Higher Education (Aberystwyth University)
Marek Beran	European Commission, Directorate-General for Agriculture and Rural Development
Guy Flament	European Commission, Directorate-General for Regional and Urban Policy
Marc Vermyle	European Commission, Directorate-General for Employment, Social affairs and Inclusion

Meeting date	Action Requested	Latest Situation
1 May 2014	Person and job specification for Chair of Wales Rural Network Steering Group to be provided to the Committee at a future meeting.	Ongoing.
5 December 2014	Paper on managing the transition between programme periods to be brought to the next PMC (February 2015)	Complete – paper included on agenda for 23 February 2015 meeting.
5 December 2014	PMC Chair to write to the Deputy Minister for Farming and Food to express Members concerns about potential delays to the adoption of the RDP.	Complete

DRAFT**Wales Programme Monitoring Committee
European Structural and Investment Funds
2014 – 2020****Sub-Group: MEASURING SUCCESS**

- 1. Introduction and Scope**
- 2. Conclusions**
- 3. Recommendations**
- 4. The Work of the Sub – Group**
- 5. Membership and Terms of Reference**

1. Introduction and Scope

The Shadow Programme Monitoring Committee (PMC) for the 2014-2020 European Structural and Investment Funds (ESI) programme approved, at its meeting on 1 May 2014, the establishment of a sub group to consider alternative approaches to the measurement of success and impact within the programmes. The sub group has met on six occasions and individual members of the group have carried out work outside group meetings to specifically examine approaches within the individual ERDF, ESF and RDP elements of the programmes.

The sub group established Terms of Reference and these, together with group membership, are attached below. These Terms of Reference confirmed that the sub group was a task and finish group with the objective of making a final report and recommendations to the PMC for the 2014-2020 ESI programme early in Q1 2015.

The sub group agreed a number of key points emerging from the Terms of Reference in order to establish the starting point and scope of their work

- Programme priorities, against which monitoring would take place, are set out in the Programme Documents. These documents, in conjunction with the Economic Prioritisation Framework (EPF) will be used to select projects for funding and to assign output targets to those projects
- The EPF sets out the key economic priorities that should drive allocation of ESI funds and it does this at two levels. Firstly at the level of Welsh

Government priority sectors and secondly at the level of key economic regions (South East, South West and Central and North)

- The EPF is a dynamic document which will evolve during the course of the Programme
- As part of its contract with the European Commission relating to ESI funds, WEFO will be required, as in previous Programmes, to monitor a wide range of numerical targets. As a result of the contractual commitment, this work will form the priority activity for the monitoring and evaluation teams within WEFO. Any impact targets identified as a result of the sub group's work would not replace any of the contractually agreed output targets

The sub group also agreed a number of criteria that an appropriate impact target would need to meet

- It should be related directly to the key priorities and targets identified in the EPF
- It should allow definition, at an intermediate data level, of the beneficial change that is being sought through the application of ESI funds
- It should be capable of longitudinal monitoring of the progress towards achievement of that beneficial change and therefore the associated data capture methodologies should be taken into consideration. The selected targets should be linked to historical monitoring of the same parameter(s) where possible
- Targets should address social and environmental parameters as well as purely economic parameters

2. Conclusions

- 2.1.1. The group concluded that the primary area in which beneficial economic change would be observed would be within the business community and that impact measures typically used within the business environment could therefore be appropriate measures.
- 2.1.2. It noted that the key economic issues within Wales were issues of productivity as opposed to employment and that impact measures selected should reflect that
- 2.1.3. It noted that many businesses now saw their social and environmental impact as a key element of their economic performance and that,

therefore, social and environmental parameters could sit comfortably alongside economic parameters

- 2.1.4. However, it became clear that current policies on data acquisition within Welsh Government do not prioritise methods that lend themselves to longitudinal monitoring. Therefore, even if appropriate business related measures were identified, historical data sources would not be available to allow the construction of a retrospective baseline position against which progress during past, present and future Programme periods could be monitored.
- 2.1.5. As such, it is not possible for the sub group to recommend to PMC any specific impact measures that could be adopted at this point
- 2.1.6. However, it was clear to the group that there has been recognition within both Welsh Government and WEFO that the 2014-2020 ESI Programmes need to show a more demand led (business need) focus as opposed to the supply led (provider driven) focus that has tended to predominate in the current Structural Funds Programmes
- 2.1.7. There has also been recognition that, in order to achieve this, improved data on business need is required and that this data must be holistic, that is it must take account of the overall needs of a business rather than seeking to segment needs in relation to supply side provision. In particular the needs of a business for economic support (finance, premises, equipment, commercialisation) which has traditionally been the preserve of ERDF programmes and the Department for the Economy in Welsh Government must be integrated with skills and training needs which have traditionally been covered by ESF and the Department for Education and Skills.
- 2.1.8. The group noted that efforts are underway in both the Economy and Skills Departments to address these issues and to seek a greater degree of commonality. It also noted that work is being initiated on the establishment of improved data acquisition processes

3. Recommendations

- 3.1 The PMC should endorse the importance of this work, both in terms of ESI funds but also the wider Welsh economy and should support the continuation of the work

- 3.2 The continuation of the work should be conducted in collaboration with the Departments of the Economy and Skills and integrated with the ongoing work in those Departments.
- 3.3 The remit of that work should be to examine options for the creation of a business-centric model of economic development, the data acquisition and management processes that would be required by that model and the resultant impact measures that would be used to monitor the achievement of the key economic, social and environmental objectives.
- 3.4 The development and ongoing management of the database capability proposed in this report is critical to success in identifying and utilising measures of sustainable impact
- 3.5 This work should use the EPF, and its continuing development, as the basis for the establishment of agreed thematic and spatial priorities
- 3.6 It should seek to draw on relevant private sector experience on the construction, management and application of databases analogous to those that a business centric model would require. In particular it should seek to understand the role of incentivisation in the success of private sector models
- 3.7 In order to provide relevant user input to the development of a business centric model and to assist in testing of implementation options, the work should be carried out in conjunction with at least one of the three spatial regions and at least one of the thematic sectors important in that region
- 3.8 Although the sub group has not been able to identify, up to this point, potential impact measures for which a suitable historical dataset exists, work should continue in conjunction with Welsh Government to determine if such data does in fact exist

4. The Work of the Sub Group

The starting point, and rationale, for the work of the sub group was that while parameters currently measured in ESI programmes have value in terms of short term monitoring and accounting, they are of more limited value in assessing the long term sustainable changes that are the ultimate aim of ESI funds. The remit of the group, therefore, was to consider what were the most important transformational changes that should result from the 2014-2020 programmes and how were we going to measure the degree of success in achieving them.

The discussions of the group recognised that measurement of sustainable impact must take account of three key elements:

1. The parameters to be measured
2. The methodology of measurement
3. The continuity and consistency of measurement in order to facilitate longitudinal analysis

The group quickly recognised, however, that approaches taken in the past would not readily facilitate the longitudinal analysis that would be needed to provide input to the new ESI programme. However, it became clear that work was underway in both EST and DFES to address these issues and the group was interested to understand more about this work. In practice, changes in staff inside the two departments precluded a detailed analysis of this work within the timescales of the current project. However, the group felt this was an important area to explore further.

Initial conclusions of the group were that evidence for sustainable economic impact was probably best observed through the use of tools traditionally applied by the business community such as turnover, profitability, employment base and, in particular in the Welsh context, productivity. Monitoring changes in these parameters over time might show if the business was benefiting in a sustainable economic way from the interventions it was receiving. If one recognises that businesses are the engine of economic growth, then this would imply wider economic benefit. This approach would require the selection and continuous monitoring of a representative benchmark group of businesses. Given the economic variation between regions in Wales, this may well require a different group in each of the three regions. One implication of this approach, however, is that it may not always be straightforward to separate the specific impact of ESI funds from that of other interventions and wider economic factors. In order to select and monitor a representative group of businesses, it would clearly be necessary to integrate activity with the work of Welsh Government thematic sector teams and, for example, the City Regions

The group felt that an additional benefit of this approach might be that it would facilitate a more business-centric approach to business support. In other words, the delivery of support would start with an assessment of the overall need of a business followed by development of an appropriate package of support linking financial, skills and professional support in a way that is allied to the demand drivers to which that business responds. The key thematic and regional demand drivers are captured in the EPF and, through that mechanism, a direct link is established with overall economic development strategy and priorities in Wales.

The group appreciated that if this approach were to be adopted, it would need to be underpinned by powerful databases of a type more often seen in the private rather than the public sector. These databases would need to accumulate information on potential recipients of support (businesses and individuals) and on the types of support available. They would need to have the ability to “mix and match” recipients and providers or allow a “mingling” process through which recipients and providers come together. Because they would be designed to continually update the information they hold, they would, over time, also become valuable monitoring tools.

Although this type of database capability is not widely used in the public sector, it is frequently employed in the private sector and the methods of establishing and managing it are well understood. Familiar examples include supermarket loyalty cards, financial comparison web sites and even on-line dating sites. Critical to the success of these databases are that they are easy to use and that they encompass an appropriate mix of incentives and sanctions. So, in the approach described here for example, businesses would have an incentive to provide and update information because it would enable them to access more appropriate support but appropriate interaction with the databases would be a condition of receiving that support. The aim would be that, over time, the interaction would be seen by business in the same context as the normal collection of management information.

While the group has not been able to carry out an exhaustive review of current database capability within Welsh Government and WEFO, the information available suggests that the capability described here is not in place. Indeed, it would seem that there are a number of separate and potentially uncoordinated approaches under way. The group believes that creation of this kind of database is fundamental to success both in delivering sustainable impact and in monitoring it and its key recommendations are for work to continue in this area

Although one of the primary aims of ESI funds is economic regeneration, the Programmes also make clear that this must go hand in hand with enhanced social cohesion and a more balanced approach to energy provision and environmental management. The group has made an initial consideration of potential impact measures in these areas.

In the area of skills provision, there are clear advantages of a more business-centric approach in which skills support was clearly linked to wider economic support. ESF programmes have traditionally taken a strongly supply side approach to provision and this has led, in some cases, to unnecessary duplication and competition. The database methodology outlined here could potentially be beneficial in reducing this.

However, the ESF Programmes have two elements to them. The first addresses the skills needs of people who are within, or very close to, the workplace and the group felt that this element was amenable to the more demand led approach as outlined

above. However, the second element focusses more heavily on social cohesion, social inclusion, economic inactivity and support for individuals who are distant from the work place and have challenges in accessing employment. These latter aspects will remain prominent and important in the new programme and further work will be required in relation to measures of success.

In the areas of energy provision and environmental management, the group felt there were a number of relevant impact measures that might be examined, for example progress towards insulation of domestic properties, percentage of renewables provision in particular sectors of the economy and so on. A number of these could be clearly linked to broader business and economic measures and captured within the database structures described above

The integration of the rural development programmes with the ERDF and ESF programmes makes it easier to consider agriculturally based businesses within a broader business context, for example market segmentation, and the group believes that its consideration of impact measures should treat agricultural businesses in the same context as the wider business community.

5. Membership and Terms of Reference

Members of the Wales PMC:

Grahame Guilford (sub-group CHAIR) Consultant (PMC Public Appointment)	
Ann Beynon	Equality Commissioner EHRC
Iestyn Davies	Head of External Affairs at the Federation of Small Businesses
Lowri Gwilym	WLGA - Europe and Regeneration
Jocelyn Llewelin	Senior External Relations Manager, DWP Jobcentre Directorate
Jenny Rathbone	Assembly Member
Tom Whyatt	Industry Wales

Managing Authority Officials

Paul Casey	WEFO, Research Monitoring and Evaluation
Rob Halford	WEFO, Planning & Strategy
Sue Price	WEFO Programme Management & Delivery
Terri Thomas	CAP Planning

Advisors

- Welsh Government and non-Welsh Government technical and sectoral experts as required.
- Input from the Evaluation Advisory Group and the Monitoring and Evaluation Workstream.

Secretariat

WEFO

PURPOSE

The Measuring Success sub-group is a time limited, task and finish group which will:

- examine the challenges associated with monitoring and evaluating the performance of European Structural & Investment Fund (ESIF) programmes in Wales, in adherence with European Commission requirements; and
- help guide the further development and refinement of a robust methodology for measuring the success of the 2014-2020 ESIF programmes, taking account of the intervention logic that underpins the operational programmes agreed with the European Commission, the work already undertaken by the Evaluation Advisory Group (EAG) and the Monitoring and Evaluation Work stream (MEWS) and the context in which the ESI programmes are to be delivered, particularly the performance of the Welsh economy.

KEY OBJECTIVE

To determine whether there are improvements that can be made to the way in which the Welsh Managing Authorities' propose to approach the monitoring and evaluating of the 2014 -2020 ESIF programmes and to make associated recommendations to the WPMC.

PROCESS

To achieve its key objective the Sub-Group will review the monitoring and evaluation methodologies proposed by the Managing Authorities, taking into account::

- the programme design principles of 'concentration, integration and simplification
- the strategic relationship between the operational programmes agreed with the European Commission and the draft Economic Prioritisation Framework .
- How best to measure the extent to which interventions concentrate on identified economic and spatial opportunities.
- The best means of measuring the extent to which there is integration and complementarity between EU funded interventions
- How to measure the extent of investment leverage achieved through the deployment of EU funds
- How to determine the extent to which 'portfolio management' is being achieved in practice.
- whether interventions truly align with established imperatives; e.g.: 'smart specialisation'
- the programme life cycle – and the project pipeline – in terms of the timing and reporting of measurements of success

- the extent to which it is possible to determine and differentiate between outcomes produced by EU funded interventions and those brought about by other economic or social stimuli
- the extent to which quantitative versus qualitative analysis is required to measure success
- whether there are particular tools and techniques that need to be deployed that are not already in use.

DRAFT

TRANSITION BETWEEN 2007 – 2013 AND 2014 – 2020 FUNDING ROUNDS

The PMC has asked for a note on transition between funding rounds, with the particular concern being that we should avoid where possible the loss of skills, experience and infrastructure that will be of value to the news programmes.

Match between the programmes

The first thing to note is that the new programmes are very focussed. Much of the 2007 – 2013 round does not have a direct read across to the 2014 – 2020 round, and not all projects have good track records for delivery. So in many cases, transition is about an exit plan for a smooth and orderly winding up of the project, rather than about preserving the organisation that has been put in place to date.

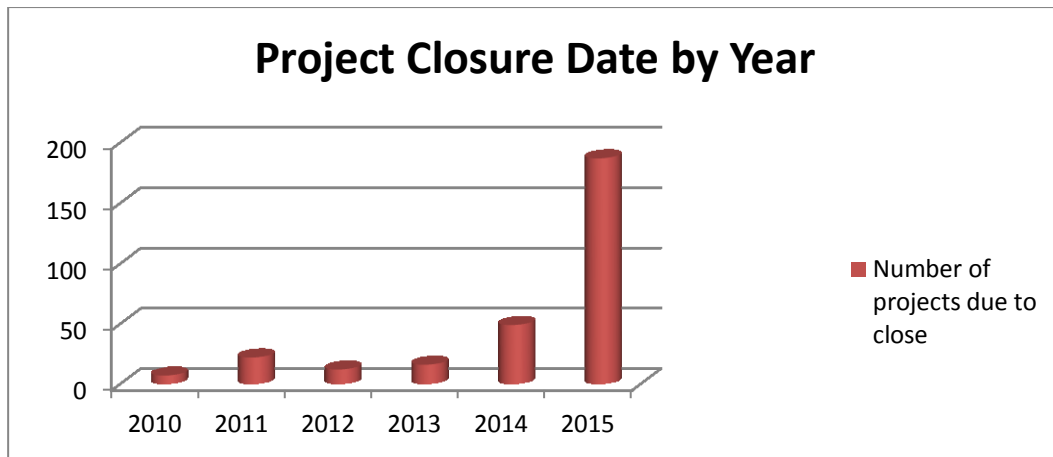
The Annex to this note provides some examples of activity in the 2007 – 2013 round for which there is limited or no provision in the 2014 – 2020 programmes.

The Deputy Director of WEFO wrote to all projects last summer requiring them to produce the exit plans required under the grant offer letter. Nearly all projects have now submitted their plans, and where plans are not in place the reasons why are known. Closure is a standard agenda item for routine project reviews and there is no reason why the requirement for an orderly close down should come as a surprise to any project sponsor.

2007 – 2013 programmes still underway

The second key point is that delivery in the 2007 – 2013 round continues well into 2015 (until the end of 2015 in a few cases), and we have already started approving projects in the new round. We have in place the tools to manage transition effectively where it is appropriate. We have been conscious of the transition issues throughout the planning for the new period, and have allowed for this in considering requests for extensions to current projects.

The illustration below shows how the project closure schedule is weighted towards the back end of the allowable programme period. It should be noted that this weighting is not without issues for WEFO, as it compresses the project and programme closure work required by the Commission into a shorter timeframe, which coincides with the peak of the workload in approving operations in the new funding round, and leaves little margin for correcting any problems that may emerge during the closure process.



Early preparation for 2014 – 2020

Thirdly, potential project sponsors and WEFO have done a considerable amount of work to develop project proposals during the period when we were waiting for approval of the UK Partnership Agreement and our Operational Programmes. This means that we have a healthy pipeline of new projects at different stages of development.

At the time of writing (6 February 2015), four operations (projects) have been approved in the new round. A further thirteen are scheduled for approval by the end of March and over thirty more by the end of August. This would not have been possible without the preparatory work put in on all sides.

Retrospection

The fourth strand in our approach to transition is retrospection. Activity and expenditure from 1 April 2014 is eligible for EU funding even if the operation (project) is not approved until now. Our early publication of draft Operational Programmes, eligibility rules and so on has allowed project sponsors not only to develop project proposals with limited risks from uncertainty, but also to actually undertake project activity where they have a good degree of confidence that a successful funding bid can be achieved in due course.

A number of the projects either approved or at an advanced stage of development are able to benefit from this.

Current Position

We are still receiving requests for extensions to current projects, which we are no longer able to accommodate. There is no flexibility in the Commission's closure timetable and we have already pushed the 2007 – 2013 programme as far into 2015 as we think is acceptable, and indeed necessary to ensure effective transition where appropriate.

For each of the new proposals which have links to existing projects we are working on the transition issues and providing as much assurance as we can. Certainly some proposals have little or no room for slippage in the work to be done by both the project sponsor and by WEFO, but we are not expecting reductions in Wales' capacity to deliver the new programmes as a result of transition issues at this stage.

Annex A: Examples of Current Activity

This Annex notes some examples of where current activity is not provided for either specifically or generally in the next round. It is meant to be illustrative rather than exhaustive.

- **Town Centre Regeneration:** The potential for “pepper potting” of town centre regeneration operations, where in the past each local authority has undertaken a variety of building renovation and public realms works, is not in the 2014 – 2020 programme. For 2014-2020, regeneration activity will be focused on a limited number of spatially prioritised operations that identify key regional or urban growth opportunities.
- **Tourism:** There is no specific provision in the 2014 – 2020 programmes for tourism. It is envisaged that tourism infrastructure will be prioritised similarly to town centre regeneration, and targeted with investments predominantly being identified and led by EST through its “Attractive Destinations” proposed operation. Tourism businesses are of course eligible to take advantage of all the provision we are making for business support generally.
- **Grant schemes:** The focus on SME support so far has been through the development of repayable finance based arrangements to replace JEREMIE, which should be in place with little gap if any in provision. We have yet to see exactly what might be proposed in respect of general grant funding when the current Local Investment Funds projects are completed in summer 2015. The Regeneris report indicates that grant funding should be used only for:
 - Early stage R&D
 - Encouraging behaviour change
 - Social enterprises and charities
 - Addressing a viability gap
- **Third Sector projects based on “procurement with match”:** Projects such as the WCVA’s Gateway project are ones that we would like to see repeated, but the securing of match funding is a real potential issue. Under “procurement with match” arrangements, it has been a requirement of bodies tendering to deliver projects that they bring some match funding to the project. We can find no provision for this in the regulations for the new round. The answer may be to bring bodies in to the operation as joint delivery partners.
- **We are unlikely to fund taught Masters courses** as the current model is only very weakly embedded in companies. We will however be funding research-based Masters in industry.

WALES PROGRAMME MONITORING COMMITTEE, EUROPEAN STRUCTURAL AND INVESTMENT FUNDS 2014 – 2020:

Progress on fulfilling the outstanding Structural Funds Programme pre-conditions ('ex-ante conditionalities')

Issue

1. To provide members with an update on progress towards meeting outstanding ex-ante conditionalities in respect of the ERDF and ESF Operational Programmes.

Recommendation

2. Members are invited to note progress.

Background

3. The 2014-2020 round of European Structural and Investment (ESI) Fund regulations set out a number of general and thematic ex-ante conditionalities which, where appropriate, Member States/regions are expected to meet, or demonstrate that they have plans in place to do so by 31 December 2016, before the Operational Programmes can be approved.
4. The conditionalities are designed to ensure appropriate national policies/strategies/procedures are in place to support the effective delivery of investments supported under the programmes and it is for Member States/Regions to demonstrate compliance of those relevant to the activity selected within their respective Operational Programmes. Compliance can be demonstrated either at Member State (UK Government) level in the UK Partnership Agreement or at regional level in the Operational Programmes.
5. Where conditionalities cannot be fulfilled the Operational programme must contain a description of the actions to be taken, the bodies responsible and the timetable for implementation (not later than December 2016). All actions fulfilled must be reported in the annual implementation report in 2017.
6. For both the ERDF and ESF Operational Programmes for West Wales and the Valleys and East Wales we were able to demonstrate full regional compliance with all relevant conditionalities with the exception of the following:

(a) ERDF

Conditionality – the existence of a comprehensive plan(s) or framework(s) for transport investment in accordance with the Member State's institutional set-up which supports infrastructure development and improves connectivity to the TEN-T comprehensive and core networks including ***a realistic and mature pipeline of transport (road and rail) projects for which support from ERDF is envisaged.***

There are a detailed set of requirements, set out in the regulation and in accompanying guidance documents, to be met to fulfil this conditionality. These will all be addressed in the final National Transport Plan and supporting documents. The National Transport Plan for Wales is currently out for public consultation and, while it addresses some of the requirements, further work is needed to meet the conditionality. WEFO is working closely with the Welsh Government's Transport Division to address all remaining criteria, including further prioritisation and identification of key public transport investments. The ERDF Operational Programme has agreed a deadline with the European Commission for completion of this conditionality by 30 June 2015. It is anticipated the National Transport Plan will be published in advance of this. Discussions will be held with the European Commission prior to the publication of the National Transport Plan to ensure the conditionality will be fully met.

(b) ESF

General Conditionality – An effective system of results indicators including ***the establishment of targets for these indicators***.

We have demonstrated partial compliance with this conditionality, with a full range of result indicators in place and targets set for all but one of these indicators: "Participants at risk of becoming NEET (11-24) at reduced risk of becoming NEET upon leaving" (the project) in respect of Priority Axis 3 "Youth Employment".

The risk of NEET will be identified utilising the standard principles with the Welsh Government Youth Engagement and Progression Framework. This standard approach to identifying and tracking the risk of NEET is new and actions will be subject to an impact evaluation in 2016. The outcomes of this evaluation will establish a target for this indicator and achieve full compliance with the conditionality. The deadline for completion is December 2016.

PMC Role in Monitoring Progress

7. As part of the general functions of the PMC, Article 110(h) of Regulation EU 1303/2013 places a requirement on it to examine progress on actions to fulfil any applicable ex ante conditionalities which are not fulfilled at the date of submission of the Partnership Agreement and Operational Programmes.

Next Steps

8. PMC will be provided with regular updates.

WEFO Lead: Paul Smith
Approved by: Rob Halford
Date: 6 February 2015