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## European Structural Funds Indicators Study – European Regional Development Fund Report



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Views expressed in this report are those of the researcher and not  
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## Table of contents

1.	Introduction.....	5
2.	Methodology.....	7
3.	Findings from ERDF Specific Objective 1.1: Research Capacity.....	9
4.	Findings from ERDF Specific Objective 1.2: Commercialisation .....	15
5.	Findings from ERDF Specific Objective 2.1: Access to Finance.....	22
6.	Findings from ERDF Specific Objective 2.2: Start-ups .....	28
7.	Findings from ERDF Specific Objective 2.3: ICT take-up and Exploitation..	34
8.	Findings from ERDF Specific Objective 2.4: Employment Growth in SMEs	37
9.	Findings from ERDF Specific Objective 2.5: Risk Capital Finance .....	45
10.	Findings from ERDF Specific Objective 3.1: Marine Energy (WWV only) ...	51
11.	Findings from ERDF Specific Objective 3.2: Community Energy (SO3.1 for EW) .....	56
12.	Findings from ERDF Specific Objective 3.3: Energy Efficiency in Housing (SO3.2 in EW) .....	59
13.	Findings from ERDF Specific Objective 4.2: Public Transport (SO4.1 in EW) .....	62
14.	Findings from ERDF Specific Objective 4.4: Strategic Sites – WWV only ...	66
15.	Conclusions .....	71
16.	Reference Section .....	77

## List of tables

Table 3.1: Output and Outcome Indicators for SO1.1 .....	10
Table 3.2: Progress of ERDF Specific Objective 1.1 Indicators .....	11
Table 3.3: Progress of SO1.1 Indicators and Summary of Explanatory Factors .....	11
Table 4.1: Output and Outcome Indicators for SO1.2 .....	16
Table 4.2: Progress of ERDF Specific Objective 1.2 Indicators .....	17
Table 4.3: Progress of SO1.2 Indicators and Summary of Explanatory Factors .....	18
Table 5.1: Output and Outcome Indicators for SO2.1 .....	22
Table 5.2: Progress of ERDF Specific Objective 2.1 Indicators .....	24
Table 5.3: Progress of SO2.1 Indicators and Summary of Explanatory Factors .....	25
Table 6.1: Output and Outcome Indicators for SO2.2 .....	28
Table 6.2: Progress of ERDF Specific Objective 2.2 Indicators .....	30
Table 6.3: Progress of SO2.2 Indicators and Summary of Explanatory Factors .....	30
Table 7.1: Output and Outcome Indicators for SO2.3 .....	34
Table 7.2: Progress of ERDF Specific Objective 2.3 Indicators .....	35
Table 7.3: Progress of SO2.3 Indicators and Summary of Explanatory Factors .....	35
Table 8.1: Output and Outcome Indicators for SO2.4 .....	38
Table 8.2: Progress of ERDF Specific Objective 2.4 Indicators .....	40
Table 8.3: Progress of SO2.4 Indicators and Summary of Explanatory Factors .....	41
Table 9.1: Output and Outcome Indicators for SO2.5 .....	45
Table 9.2: Progress of ERDF Specific Objective 2.5 Indicators .....	47
Table 9.3: Progress of SO2.5 Indicators and Summary of Explanatory Factors .....	47
Table 10.1: Output Indicators for SO3.1 .....	51
Table 10.2: Progress of ERDF Specific Objective 3.1 Indicators .....	53
Table 10.3: Progress of SO3.1 Indicators and Summary of Explanatory Factors ....	53
Table 11.1: Output Indicators for SO3.2.....	56
Table 11.2: Progress of ERDF Specific Objective 3.2 Indicators .....	57
Table 11.3: Progress of SO3.2 Indicators and Summary of Explanatory Factors ....	57
Table 12.1: Output and Outcome Indicators for SO3.3 .....	59
Table 12.2: Progress of ERDF Specific Objective 3.3 Indicators .....	60
Table 12.3: Progress of SO3.3 Indicators and Summary of Explanatory Factors ....	60

Table 13.1: Output and Outcome Indicators for SO4.2 .....	62
Table 13.2: Progress of ERDF Specific Objective 4.2 Indicators .....	64
Table 13.3: Progress of SO4.2 Indicators and Summary of Explanatory Factors ....	64
Table 14.1: Output and Outcome Indicators for SO4.4 .....	66
Table 14.2: Progress of ERDF Specific Objective 4.4 Indicators .....	68
Table 14.3: Progress of SO4.4 Indicators and Summary of Explanatory Factors ....	68

## Glossary

Acronym/Key word	Definition
BME	Black and Minority Ethnic
ECO	Energy Company Obligation
ERDF	European Regional Development Fund
EU	European Union
EW	East Wales
ICT	Information and Communication Technology
R&D	Research and Development
RD & I	Research, Development and Innovation
SME	Small and Medium-sized Enterprises
S.O.	Specific Objective
STEM	Science, Technology, Engineering and Mathematics
TEN-T	Trans-European Transport Network
UKRI	UK Research and Innovation
WEFO	Welsh European Funding Office
WWV	West Wales and the Valleys

## **1. Introduction**

- 1.1 Wavehill was appointed by the Welsh European Funding Office (WEFO) to undertake a study of the progress made against key Welsh European Programme indicators and identify reasons behind any indicators which are currently behind target or at risk of not meeting targets by the conclusion of the programme.
- 1.2 The indicators in scope for the review included indicators across five programmes:
- East Wales European Regional Development Fund 2014-20
  - West Wales and the Valleys European Regional Development Fund 2014-20
  - East Wales European Social Fund 2014-20
  - West Wales and the Valleys European Social Fund 2014-20
  - Ireland-Wales European Territorial Co-operation Programme 2014-20.
- 1.3 The study consisted of the following main tasks:
- Desk based analysis of background documents, including operational programmes and rationale documents setting out how original indicator targets were quantified.
  - Desk based analysis of spend, indicator targets, commitments to date against these targets and achievement against indicator profiles. This work reviewed achievement to date, as well as achievement up to March 2020 – in order to allow analysis of changing trends in indicator achievement since the outbreak of the COVID-19 pandemic.
  - Interviews with stakeholders involved in management and administration of the programme, policy leads within Welsh Government and project delivery leads, to gain a deeper understanding of the reasons behind the performance of the indicators in scope for this study.

- Additional contextual analysis to draw out wider evidence surrounding reasons for variance against performance indicators under the programme.
- Synthesising findings, sharing and testing these findings with delivery partners in WEFO and production of reports.

1.4 This report covers the findings relating to the two European Regional Development Fund Programmes.

### **Content of the Report**

1.5 The remainder of the report consists of the following:

- Section two sets out the methodology used in the study
- Sections three to fourteen set out the findings of the analysis across the twelve Specific Objectives of the ERDF programmes within scope for this study
- Section fifteen provides a series of conclusions from the study.

## **2. Methodology**

2.1 The sections below provide a high level overview of the main quantitative and qualitative fieldwork methodologies used to gather evidence that has been synthesised to draw out the findings presented in this study. In addition, research tools are included at Annex A.

### **Desk based analysis of background documents**

2.2 The review of background documents for the study primarily included a review of:

- East Wales European Regional Development Fund 2014-20 Operational Programme
- West Wales and the Valleys European Regional Development Fund 2014-20 Operational Programme
- Target Setting Methodology papers for each programme
- Annual Implementation Reports for each programme
- Indicator Definitions papers for each programme Priority Axis.

### **Desk based analysis of spend indicator targets, commitments, and achievements**

2.3 This was undertaken at the outset of the programme using data up to the end of June 2021, then updated again in early 2022 for data up to the end of December 2021.

2.4 The analysis reviewed progress against the indicators in scope (which focused on those at risk of not meeting targets), as well as wider indicators within each Specific Objective, to help contextual understanding of achievements. It also reviewed commitments and achievements against targets / profiles up to March 2020, in order to allow for analysis of changing trends in indicator achievement since the outbreak of the COVID-19 pandemic.

### **Interviews with stakeholders**

- 2.5 This included interviews with stakeholders involved in management and administration of the programme, policy leads within Welsh Government and project delivery leads, to gain a deeper understanding of the reasons behind the performance of the indicators in scope for this study. Consultees were provided by client leads within the Welsh European Funding Office and selected to provide a range of perspectives across each Specific Objective area of the programmes (only those within which indicators in-scope for the study sat). This was designed to ensure insights were gained from those involved in policy, programme management and project delivery.
- 2.6 A full set of consultees and topic guides used in the fieldwork is included at Annex A.

### **Additional contextual analysis**

- 2.7 Where relevant, additional contextual analysis was undertaken with a view to test and verify key findings emerging from the fieldwork, which would help to explain performance of the indicators in scope for the study. This included:
- Analysis of secondary data sources, such as through the Office for National Statistics
  - Further review of project level evaluation evidence
  - Review of wider academic or other literature around relevant socio-economic trends.

### **3. Findings from ERDF Specific Objective 1.1: Research Capacity**

#### **Overview of Specific Objective**

- 3.1 The aim for Specific Objective 1.1 as set out in the ERDF Operational Programmes was 'To increase the success of Welsh research institutions in attracting competitive and private research funding'.
- 3.2 Example activities for this specific objective included the following:
- Building research capacity and capability. For example, through:
    - centres of excellence
    - supporting cluster development, through infrastructure and supply chain development
    - applied research, development of prototypes
    - collaboration and networks, in particular industrial and international links
    - investment in technology and technology transfer
    - building partnerships,
    - increasing interaction and influence with external bodies
  - Capacity building to address barriers to accessing competitive research funding. For example, to develop more competitive bids, building networks, finding international partners, new ways of working.
  - All investments should have a focus on areas with potential for developing or strengthening world-class excellence (e.g. through smart specialisation as identified in Science for Wales) and should identify links to Sêr Cymru and National Research Networks.

**Table 3.1: Output and Outcome Indicators for SO1.1**

<b>Output Indicators</b>	<b>Outcome Indicators</b>
Number of improved research infrastructure facilities	Number of researchers working in improved research infrastructure facilities
Number of partners co-operating in a research project	Number of new researchers in supported entities
	Amount of research funding secured

Note: Highlighted cells used to show the indicators in scope for this study

### **Target Setting Approach**

- 3.3 The targets for the indicators under SO1.1 were primarily based on the following 2007-2013 projects:
- Institute For Life Sciences 2
  - Centre For Nanohealth
  - Low Carbon Research Institute.
- 3.4 The target for 'Amount of research funding secured' was based on estimates produced by Swansea University on the likely increase in research funding because of funding the Engineering Manufacturing Centre and the Innovation Hub. These estimates were then scaled up to Programme-level and to cover the programming period.

**Table 3.2: Progress of ERDF Specific Objective 1.1 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys				East Wales			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend (£m)	£115.2	115%	N/A	74%	£35.2	94%	N/A	61%
Amount of research funding secured	£165m	111%	£92m	104%	£65m	138%	£49m	102%
Number of new researchers in supported entities	470	102%	333	73%	290	68%	115	128%

**Table 3.3: Progress of SO1.1 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>Spend is at or close to full commitment in both regions</li> <li>Amount of research funding secured target is fully committed in both regions</li> </ul>	<ul style="list-style-type: none"> <li>Regarding new researchers in supported entities, stakeholders highlighted there had been a lower demand for projects in EW than anticipated (partly reflected in spend being under-committed in this area).</li> <li>It is also notable that comparing between the two regions, the EW target is proportionately far higher than that for WWV compared to spend (the EW spend allocation is 30% of the spend allocation of WWV, but this indicator target is over 60% of the target for WWV). This may indicate the target for EW was unsuitably high.</li> </ul>

	<b>Summary of Progress</b>	<b>Explanatory Factors</b>
	<ul style="list-style-type: none"> <li>New researchers in supported entities are fully committed in WWV but only 68% committed in EW</li> </ul>	
Outcome Achievement	<ul style="list-style-type: none"> <li>Amount of research funding secured has exceeded profile target to date.</li> <li>Number of new researchers in supported entities has met profile target to date in EW but is only at 73% of profile target level in WWV.</li> </ul>	<ul style="list-style-type: none"> <li>Amount of research funding secured is on profile, but with a large amount still to achieve remains a risk. Stakeholders engaged through this study remain confident target will be met.</li> <li>Number of new researchers in supported entities – this is performing well against profile in EW but has fallen behind in WWV since the pandemic outbreak in March 2020 (at that point the indicator was at 98% of profile). Stakeholders indicated that lockdown restrictions made it harder for new researchers to be taken on, given the importance of access to workplace equipment in many cases. The impacts of Brexit were also highlighted as a factor affecting recruitment and retention of researchers, as some international researchers returned to Europe in response to Brexit.</li> </ul>

### **Expected Future Performance**

- 3.5 The WEFO team are expecting a degree of **under-spend against the original allocation** due to cancellation of events, limited access to labs / equipment (COVID-19) and staff retention challenges (Brexit related). A proportionate reduction in achievement of indicators against original targets would be expected alongside this.
- 3.6 **Amount of research funding** is nevertheless expected to meet its targets in both areas by the end of the programme.
- 3.7 **Number of new researchers in supported entities** in EW is expected to be substantially below the target by the end of the programme. For WWV it is expected that achievement against this indicator will catch up by the end of the programme to either fully achieve or come very close to full achievement of target.

### **Wider Evidence**

*Evidence around the impacts of Brexit on academic researchers leaving Wales to return to Europe.*

- 3.8 Research has highlighted that the UK's decision to leave the European Union began to have an impact on the retention and recruitment of academics who are EU nationals almost immediately after the referendum. Until the EU referendum and the beginning of Brexit negotiations, the proportion of non-UK EU nationals working in UK universities had been increasing, particularly from 2011 onwards. In 2016/17, the first year after the referendum, the overall percentage still increased, but by less than the previous three years. This was also the case for Russell Group universities, where the proportion of non-UK EU nationals is much higher<sup>1</sup>
- 3.9 Research published by the Russell Group in 2019<sup>2</sup> found that although the number of EU academics working in the UK increased by 4% in 2017/18, this was the lowest level of growth for more than a decade. In addition, between 2016/17 and 2017/18, the proportion of new EU academics recruited by the Russell Group from overseas fell from 48% to 43%, indicating that a greater proportion of EU nationals

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<sup>1</sup> Marini (2018)

<sup>2</sup> Chandler (2019)

recruited to academic positions were already based in the UK. According to the Russell Group, this trend is the same for all UK universities, suggesting the sector may be finding it increasingly difficult to attract EU academics from abroad, relying instead on recruiting those graduating from UK universities or academics that have recently left posts in the UK.

### **Conclusions on the Indicators at Risk**

- 3.10 One indicator is considered as being at high risk of not meeting its target by the end of the programme: Number of new researchers in supported entities in EW. This is not a performance framework indicator.
- 3.11 There are several factors that have made achievement of the indicator more challenging over the programme delivery period (notably impacts relating to COVID-19 lockdowns and impacts of Brexit on European researchers based in Wales), however the critical factor appears to be that the target set for this indicator at the outset was too high given the spend allocation in EW, and the projects that came forward were not able to commit to delivering these.

## **4. Findings from ERDF Specific Objective 1.2: Commercialisation**

### **Overview of Specific Objective**

4.1 The aim for Specific Objective 1.2 was 'To increase the successful translation of research and innovation processes into new and improved commercial products, processes, and services, in particular through improved technology transfer from HEIs'.

4.2 Example activities for this objective included the following:

- **Supporting innovation**

- Support businesses to undertake innovation (e.g. demand-led or eco-innovation) and improve innovation supply chains between businesses, and with academia
- Support to address the barriers to innovation for businesses
- Piloting of initiatives to test innovative products, processes, or services in areas with commercial potential.

- **Supporting delivery of commercialisation:**

- Support for the development of prototypes, pilot schemes, demonstrations and working models
- Development of low-cost hubs or clusters for innovative businesses and sectors (e.g. virtual hubs for ICT, Creative or Tourism sector)
- Development and launch of innovative new uses and adaptations for existing technology, processes, or services into new markets
- Commercialisation, protection, and exploitation of research (including applied research to improve market readiness of products and prototypes).

**Table 4.1: Output and Outcome Indicators for SO1.2**

Outputs	Outcomes
Number of enterprises receiving grants	Private investment matching public support in innovation or R&D projects
Number of enterprises receiving non-financial support	Number of pilot projects completed
Number of new enterprises supported	Number of enterprises supported to introduce new to the market products
Number of partners cooperating in research projects	Number of enterprises supported to introduce new to the firm products
Number of enterprises cooperating with supported research institutions	Employment increase in supported enterprises
	Number of patents registered for products
	Enterprises adopting or improving: Equality and diversity strategies and monitoring systems Sustainable development strategies and monitoring systems

Note: Highlighted cells used to show the indicators in scope for this study

### Target Setting Approach

4.3 The targets for the indicators under SO1.2 were primarily based on learning from the following 2007-2013 projects:

- R D and I Financial Support for Business
- Advanced Sustainable Manufacturing Technologies
- Wales Centre for Behaviour Change
- Knowledge Transfer and Collaborative Industrial Research
- Business Innovation Support
- Knowledge Exploitation Capacity Development
- High Performance Computing Wales
- SEACAMS; BEACON; and SEREN.

4.4 However, a policy-based approach was adopted for setting the targets for 'Enterprises adopting or improving their equality strategies' and 'Enterprises adopting or improving their environmental sustainability strategies'. This was set at 20% of enterprises receiving support in both cases.

**Table 4.2: Progress of ERDF Specific Objective 1.2 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys				East Wales			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend (£m)	£167	94%	N/A	51%	£57	90%	N/A	41%
Number of enterprises receiving non-financial support	2000	66%	993	63%	650	91%	417	84%
Number of enterprises receiving grants	350	31%	68	0%	320	31%	43	0%
Number of new enterprises supported	30	215%	32	25%	20	112%	2	45%
Number of enterprises supported to introduce new to the market products	490	90%	179	56%	300	52%	46	116%
Employment increase in supported enterprises	1125	68%	279	70%	670	44%	54	65%
Number of patents registered for products	519	50%	115	32%	315	38%	18	110%
Private investment matching public support in innovation or R&D projects	€42.84m	178%	€32.6m	58%	€26.16m	115%	€9.1m	39%
Equality and diversity strategies and monitoring systems	470	2%	10	80%	200	0%	0	0%
Sustainable development strategies and monitoring systems	470	2%	10	80%	200	0%	0	0%

**Table 4.3: Progress of SO1.2 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>• The largest output is businesses receiving non-financial support which is under-committed in both regions and particularly so in WWV (only 66%). Enterprises receiving grants is substantially under-committed (only 31% committed in both regions). New enterprises supported is over-committed but against low target numbers.</li> <li>• Key outcomes including employment increase, enterprises supported to introduce new-to-market products and new patents registered are all substantially under-committed in both regions.</li> <li>• Private investment is over-committed in both regions, particularly so in WWV (178%).</li> <li>• The two cross cutting theme indicators are extremely under-committed in both regions.</li> </ul>	<ul style="list-style-type: none"> <li>• A major factor in the under-commitments is due to projects de-committing funding and reducing targets accordingly as a result of COVID-19. In March 2020 the three business support outputs were all at least 75% committed in both regions, and most over 90% committed. COVID-19, alongside Brexit affected appetite amongst many businesses to engage with new RD&amp;I and COVID-19 related lockdowns limited ability of businesses to access expertise and specialist facilities / equipment which were critical in the activities under this S.O.</li> <li>• Under-commitment against the other outcome targets is closely related to under-commitment of the business support outputs, and similar to the points above, have mostly seen targets reduced linked to projects de-committing funding.</li> <li>• For EW the translation rate between businesses supported and outcomes around employment increase and new-to-market products is substantially higher than that for WWV (e.g. target of around one job created for every two businesses supported in WWV, compared with two jobs in every three supported in EW). In practice projects in EW have committed to a similar translation rate to those in WWV, suggesting the original translation rates for EW may have been too high.</li> <li>• Patents registered is significantly under-committed in both regions (only 50% committed in WWV and 38% in EW). This particularly reflects additional challenges with this indicator definition, with many businesses preferring other types of intellectual property right protections and suggests this may not have been a suitable indicator for this programme.</li> <li>• WEFO made a decision to remove the cross-cutting theme indicators from PA1 and capture all of these in PA2, which is why these indicators appear to be extremely under-committed.</li> </ul>

	<b>Summary of Progress</b>	<b>Explanatory Factors</b>
Output Achievement	<ul style="list-style-type: none"> <li>There is substantial under-achievement against profiles in all three business support output indicators</li> </ul>	<ul style="list-style-type: none"> <li>As outlined above, factors relating to COVID-19, associated lockdowns and Brexit impacted on the ability of projects to deliver business support outputs, with several projects also de-committing funding and reducing targets as a result. This remains the main reasons for under-achievement against these output target profiles.</li> </ul>
Outcome Achievement	<ul style="list-style-type: none"> <li>In EW, profiles are being met or exceeded for new-to-market products and patents registered targets</li> <li>For all other outcome indicators in both regions, there is under-achievement against profiles with almost all below even 80% achievement against profiles.</li> </ul>	<ul style="list-style-type: none"> <li>Under-performance against the outcome targets directly relates to the under-performance against business support targets, with employment increase and new-to-market product outcomes largely tracking similar levels of progress as the output targets.</li> <li>The patents registered is further behind in WWV (and although ahead of profile in EW this is against a low profile figure). This reflects the points above regarding the issues with the indicator definition, which has made achievement very challenging.</li> <li>The private investment outcome is less closely linked to business support outputs, but under-achievement against profile for this indicator similarly reflects the challenges of engaging businesses and delivering RD&amp;I projects as a result of COVID-19 and associated lockdowns, as outlined above.</li> </ul>

### **Expected Future Performance**

- 4.5 Across all of the indicators in scope here there is a high risk of targets not being achieved by the end of the programme. Because business support outputs look unlikely to be achieved, it means there is even less chance that outcome targets will be achieved as there are fewer businesses able to deliver against these.

### **Wider Evidence**

*Research highlighting the impacts of COVID-19 / Brexit on SME appetite to invest in RD&I*

- 4.6 Prior to the pandemic, the percentage of innovation-active firms in Wales was already down to 46.5% in the period 2014-2016, in comparison to 50.8% in the period 2012-2014<sup>3</sup>.
- 4.7 The pandemic appears to have exacerbated this, investment in innovation tending to fall sharply in times of crisis, driven by internal financial resources or slack and varying market incentives. UK-based innovative firms surveyed in early 2021 as part of the ERC's longitudinal survey of innovating firms were marginally more optimistic about the outlook than they were in Autumn 2020 but were still experiencing significant challenges constraining their capacity to engage in innovation and complete projects on time. Collaboration between firms and most types of partners had fallen and the majority still classified their R&D capacity as "disrupted".<sup>4</sup>

*Effect of lockdowns on practically undertaking RD&I with limited access to facilities / equipment.*

- 4.8 A survey carried out on behalf of the UK government's Department for Business, Energy & Industrial Strategy in May and June 2020<sup>5</sup> looked at the impact of the pandemic on researchers in universities and research institutes. It noted that the work activities which had been stopped were primarily 'research activities that cannot usually be done from your home' with an almost 100% decrease.

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<sup>3</sup> Roper & Turner (2020), 507

<sup>4</sup> Albonico, Mladenov & Sharma (2020), 4

<sup>5</sup> Department for Business, Energy & Industrial Strategy (2020)

4.9 A survey carried out by UKRI between February and March 2021<sup>6</sup> looked at the impact of COVID-19 on researchers and found that it was still high, 58% of respondents reporting that COVID-19 had made it impossible to do the research they planned.

### **Conclusions on the Indicators at Risk**

- 4.10 Prior to the outbreak of COVID-19, commitment against the targets in this S.O. were broadly in a strong position, with the only exceptions being employment increase and new-to-market product outcomes in EW (where the target translation rates from business support output to these outcomes was much higher than for WWV and was not being realised in practice), and patents registered (due to challenges with the nature of this indicator definition).
- 4.11 Since March 2020, the impacts of COVID-19 and associated lockdowns, alongside impacts of Brexit have affected business demand for this type of support and the practicality of delivering it. In response to this, WEFO has worked with project delivery partners to scale back work in key projects, decommit funding and reduce target commitments.
- 4.12 The result of this is that the indicator targets in scope for the S.O. are unlikely to be achieved in either region. None of these are performance framework indicators however.
- 4.13 Regarding cross-cutting themes, an overview of performance against these across the programme as a whole is included under S.O. 2.2 and 2.4 which are the only parts of the programme delivering against these.

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<sup>6</sup> UK research and Innovation (2021)

## 5. Findings from ERDF Specific Objective 2.1: Access to Finance

### Overview of Specific Objective

- 5.1 The aim for Specific Objective 2.1 as set out in the ERDF Operational Programmes was 'To increase the amount of finance available to SMEs for both business start-up and for business expansion'.
- 5.2 Example activities for this specific objective included the following:
- Access to debt, equity, and mezzanine finance<sup>7</sup>
  - Micro-finance investment vehicle
  - Tailored business finance schemes (e.g. for key sectors, specific geographic areas or growth businesses)

**Table 5.1: Output and Outcome Indicators for SO2.1**

Outputs	Outcomes
Number of enterprises receiving financial support other than grants	Private investment matching public support to SMEs - Non-grants
	Investment in enterprises
	Employment increase in supported enterprises
	Enterprises adopting or improving: sustainable development strategies and monitoring systems equality and diversity strategies and monitoring systems
	Jobs safeguarded

Note: Highlighted cells used to show the indicators in scope for this study

### Target Setting Approach

- 5.3 The targets for the indicators under SO2.1 were primarily based on the following 2007-2013 projects:
- JEREMIE Fund (Priority 2 ERDF Convergence)
  - New Business Start Up Support.
- 5.4 A policy based approach was adopted for setting the targets for 'Enterprises adopting or improving their equality strategies' and 'Enterprises adopting or

<sup>7</sup> [Mezzanine finance is a form of business funding that combines features of debt \(loans\) and equity finance that allow businesses to address all their funding needs. Such finance can often be used to help fund management buy outs or financing new projects to support the ongoing growth of a business. Further details can be found at the Development Bank of Wales website](#)

improving their environmental sustainability strategies', set at 50% of enterprises receiving support in both cases.

**Table 5.2: Progress of ERDF Specific Objective 2.1 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys				East Wales			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend (£m)	£84.3	136%	N/A	116%	£11.6	162%	N/A	162%
Number of enterprises receiving financial support other than grants	235	161%	271	106%	65	198%	123	97%
Employment increase in supported enterprises	2300	60%	797	129%	650	76%	367	116%
Sustainable development strategies and monitoring systems	190	0%	0	0%	30	0%	0	0%
Equality and diversity strategies and monitoring systems	190	0%	0	0%	30	0%	0	0%

**Table 5.3: Progress of SO2.1 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>• The programme has over-committed against number of enterprises receiving financial support other than grants in both regions</li> <li>• The programme has substantially under-committed against its employment increase targets in both regions</li> <li>• The two cross cutting theme indicators are extremely under-committed in both regions.</li> </ul>	<ul style="list-style-type: none"> <li>• Prior to the outbreak of COVID-19, the employment increase outcome target was at 91% for WWV but was reduced in response to the impacts of COVID-19 on businesses – with many businesses moving from growth and job creation aspirations, to a focus on survival and safeguarding jobs.</li> <li>• In EW the target was already under-committed pre-COVID-19 and has remained under-committed, which may reflect that the employment increase target was too ambitious in the current economic climate.</li> <li>• In both regions, data has also been collected around jobs safeguarded by supported businesses. Although not currently a programme indicator, this could be introduced with new targets added and could be used to counter-balance the lower than anticipated commitment against employment increase targets in both regions.</li> <li>• WEFO made a decision to remove the cross-cutting theme indicators from this S.O. and capture all of these in SO2.2 and SO2.4, which is why these indicators appear to be extremely under-committed.</li> </ul>
Output Achievement	<ul style="list-style-type: none"> <li>• At or close to 100% of profile being achieved for business supports in both regions.</li> </ul>	<ul style="list-style-type: none"> <li>• No issues to highlight.</li> </ul>
Outcome Achievement	<ul style="list-style-type: none"> <li>• Over-achieving against profile for employment increase outcome in both regions.</li> </ul>	<ul style="list-style-type: none"> <li>• No issues to highlight.</li> </ul>

### **Expected Future Performance**

- 5.5 It is currently anticipated that the number of enterprises receiving financial support other than grants target will be fully achieved by the end of the programme, but the employment increase in supported enterprises will fall substantially short of target in both regions.
- 5.6 Cross-cutting theme indicators will not be delivered under this S.O. but are discussed in detail under SO2.2 and SO2.4.

### **Wider Evidence**

#### *Evidence of businesses taking on fewer staff following COVID-19 outbreak*

- 5.7 The UK longitudinal small business survey<sup>8</sup> highlighted that in 2020 the majority of SME employers were negatively impacted by COVID-19 and associated trading restrictions, with 47% reducing their operations and 31% temporarily closing down. 33% of SME employers reported lower levels of employment than a year ago, and for the first time since 2010 this figure was higher than the proportion that reported an increase in the number employed (27%).

#### *Approach to introducing jobs safeguarded in other ERDF programmes*

- 5.8 A jobs safeguarded indicator has been included in the English ERDF programme, with the definition structured in two parts. First, a baseline on jobs at risk, to be recorded prior to when support is provided (for example, at diagnostic stage). Second, jobs at risk still in existence at least 6 months post support (for example, impact assessment stage). The difference between the two provides the number of jobs safeguarded.

### **Conclusions on the Indicators at Risk**

- 5.9 The main indicator under this S.O. which is not expected to hit its target by the end of the programme is: Employment increase in supported enterprises. This is primarily due to the changing economic climate, particularly as a result of additional business uncertainty caused by COVID-19, meaning businesses were more reluctant to take-on new staff.

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<sup>8</sup> Department for Business, Energy & Industrial Strategy (2021a)

- 5.10 The focus of investment under this S.O. shifted, as a result, to investing in businesses that supported business survival and safeguarding of existing jobs, at least in the short term, and as such it would help to better capture the overall impacts of this investment to incorporate a new 'jobs safeguarded' indicator and target and reduce the employment increase target alongside this.
- 5.11 This indicator is not a performance framework target.

## 6. Findings from ERDF Specific Objective 2.2: Start-ups

### Overview of Specific Objective

6.1 The aim for Specific Objective 2.2 as set out in the ERDF Operational Programmes was – ‘To increase the number of SME start-ups through the provision of information, advice and guidance and support for entrepreneurship’.

6.2 Example activities for this specific objective included the following:

- Advice and mentoring for start-ups, with a focus on high growth-potential start-ups
- Pre-start entrepreneurship activity (e.g. ability to test business ideas or support for graduate and high potential starts)
- Customised delivery of support for social enterprise creation (including the promotion of innovative business models) where there are evidenced gaps in mainstream provision.

**Table 6.1: Output and Outcome Indicators for SO2.2**

Outputs	Outcomes
Number of new enterprises supported	Employment increase in supported enterprises
Number of enterprises receiving non-financial support	Enterprises adopting or improving: sustainable development strategies and monitoring systems equality and diversity strategies and monitoring systems

Note: Highlighted cells used to show the indicators in scope for this study

### Target Setting Approach

6.3 The targets for the indicators under SO2.2 were primarily based on the following 2007-2013 projects:

- JEREMIE Fund (Priority 2 ERDF Convergence)
- New Business Start Up Support.

6.4 It should be noted that any financial support for start-ups would be expected to involve grant funding (albeit most support would be expected to be non-financial), hence its inclusion here.

6.5 A policy-based approach was adopted for setting the targets for 'Enterprises adopting or improving their equality strategies' and 'Enterprises adopting or improving their environmental sustainability strategies', set at 50% of enterprises receiving support in both cases.

**Table 6.2: Progress of ERDF Specific Objective 2.2 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys				East Wales			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend (£m)	£21.4	130%	N/A	98%	£7.5	66%	N/A	55%
Number of new enterprises supported	5,150	80%	3,186	107%	2,200	86%	1,549	107%
Employment increase in supported enterprises	8,800	89%	5,572	128%	3,800	84%	2,637	116%
Sustainable development strategies and monitoring systems	2,710	48%	572	154%	1,170	60%	312	149%
Equality and diversity strategies and monitoring systems	2,710	43%	486	153%	1,170	52%	191	192%

**Table 6.3: Progress of SO2.2 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>Number of new enterprises supported output is under-committed in both regions.</li> </ul>	<ul style="list-style-type: none"> <li>New enterprises supported, defined as new businesses being created, is primarily under-committed because the unit cost to deliver the support needed was higher than originally anticipated, potentially reflecting a more challenging economic climate for business start-up than originally anticipated.</li> </ul>

	<b>Summary of Progress</b>	<b>Explanatory Factors</b>
	<ul style="list-style-type: none"> <li>• Employment increase outcome is under-committed in both regions.</li> <li>• The two cross-cutting themes indicators are significantly under-committed in both regions. This is despite the fact that WEFO intended over-performance in these indicators under SO2.2 and SO2.4 to compensate for not delivering against these targets in other S.O.s in PA1 and PA2.</li> </ul>	<ul style="list-style-type: none"> <li>• The related employment increase outcome is similarly under-committed on the basis that a lower number of businesses created will lead to a lower number of new employment created.</li> <li>• The cross-cutting theme indicators are primarily under-committed on the basis that the main delivery partner could only commit to a lower target given the challenges in engaging businesses with these strategies in their first year of operation (which is all that is covered in this S.O.)</li> </ul>
Output Achievement	<ul style="list-style-type: none"> <li>• Over-achieving against profile for new enterprises supported in both regions.</li> </ul>	<ul style="list-style-type: none"> <li>• No issues to highlight.</li> </ul>
Outcome Achievement	<ul style="list-style-type: none"> <li>• Over-achieving against profile for employment increase outcome in both regions.</li> </ul>	<ul style="list-style-type: none"> <li>• No issues to highlight.</li> </ul>

### **Expected Future Performance**

- 6.6 Although over-achieving against current profiles, the number of new enterprises supported is unlikely to fully meet its targets by the end of the programme, although it appears on track to deliver around 80-90% of this target in both regions by the end of the programme.
- 6.7 Similarly, the over-achievement against profile targets for the employment increase outcome suggests that the programme may get close to achieving the overall programme targets for this indicator by the end of the programme, with over 80% of the final target already achieved in both regions.
- 6.8 At present there is a high risk that the programme will fall far short of delivering its targets for the cross cutting theme indicators.

### **Wider Evidence**

#### *Evidence on change in overall rate of business start-ups*

- 6.9 The table below shows latest data on business start-ups and reflects that the early period following the COVID-19 outbreak did contribute to a reduction in births of new enterprises across Wales, with a reduction in new business births between 2019 and 2020.

<b>Year</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Total births of new enterprises in Wales 2015-2020	11,525	12,115	12,705	12,385	12,265	11,905

*Source: Office for National Statistics: Business Demography UK dataset, accessed 13<sup>th</sup> May 2022, [Business demography, UK - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/business-demography)*

### **Conclusions on the Indicators at Risk**

- 6.10 Overall, the new enterprises supported, and employment increase outcome targets are unlikely to be fully achieved but both highly likely to achieve at least 80% of target by the end of the programme in both regions, and a reasonable likelihood that this will be over 90%. Neither are performance framework targets.

6.11 The two cross-cutting theme indicators, while not performance framework targets either, were identified by WEFO as a particular focus in this S.O., with this S.O. alongside SO2.4 having responsibility to deliver these targets on behalf of the whole programme. This means as well as delivering against the cross cutting theme targets for this S.O., it should be over-achieving in order to also cover the targets from other specific objectives where WEFO made the decision that these would not be directly delivered through (SO1.2, SO2.1 and SO2.5). More will need to be done to increase commitments and achievements with delivery partners (primarily Business Wales) in order to get closer to achieving these targets.

## 7. Findings from ERDF Specific Objective 2.3: ICT take-up and Exploitation

### Overview of Specific Objective

7.1 The aim for Specific Objective 2.3 as set out in the ERDF Operational Programmes was ‘To increase the take-up and exploitation of NGA networks and ICT infrastructure by SMEs’.

7.2 Example activities for this specific objective included the following:

- The delivery of workshops, clinics and one-to-one business diagnostics focused on take-up and exploitation of Next Generation Access (NGA) broadband<sup>9</sup>, emphasising the benefits to SMEs but also addressing any barriers to effective take-up and exploitation.
- The use of ICT innovation vouchers (as described in the Digital Agenda Toolbox to support ERDF ICT delivery), regarded as an efficient mechanism to reach out to micro-enterprises and SMEs, has been considered.

**Table 7.1: Output and Outcome Indicators for SO2.3**

Outputs	Outcomes
Number of enterprises receiving non-financial support	Number of enterprises supported to introduce new to the firm products

Note: Highlighted cells used to show the indicators in scope for this study

### Target Setting Approach

7.3 The targets for the indicators under SO2.3 were primarily based on the following 2007-2013 projects:

- Customer Engagement
- Export Assist
- eBusiness And ICT Support
- Communities Investment Fund.

<sup>9</sup> This refers to broadband that supports enhanced speed and quality of service compared to older systems. It often involves upgrades to existing copper or co-axial networks. More details can be reviewed at: [Broadband Glossary](#)

**Table 7.2: Progress of ERDF Specific Objective 2.3 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys				East Wales			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend (£m)	£5.3	124%	N/A	84%	£1.7	94%	N/A	70%
Number of enterprises receiving non-financial support	3450	121%	3601	98%	900	140%	1138	163%

**Table 7.3: Progress of SO2.3 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>Enterprises receiving non-financial support is over-committed in both regions.</li> </ul>	<ul style="list-style-type: none"> <li>Over commitment in both regions reflects the increased importance placed on businesses moving to operating virtually as a result of the COVID-19 pandemic, and associated lockdown restrictions.</li> </ul>
Output Achievement	<ul style="list-style-type: none"> <li>Enterprises receiving non-financial support is close to or exceeding profile-to-date targets in both regions</li> </ul>	<ul style="list-style-type: none"> <li>As above, the strong performance in delivery against profiles reflects the enhanced demand for this type of support particularly following the outbreak of the COVID-19 pandemic.</li> </ul>

### **Expected Future Performance**

- 7.4 This indicator has already exceeded the target in EW and is highly likely to exceed the target in WWV by the end of the programme.

### **Wider Evidence**

#### *Evidence of increased demand for support around ICT exploitation*

- 7.5 The UK longitudinal small business survey<sup>10</sup> in 2020 highlighted that more than half of all SME employers (56%) used technologies or web-based software to sell to customers or to manage the business, which was seven percentage points higher than in 2019, reflecting the increased demand from businesses for support to implement enhancements to digital operations.

### **Conclusions on the Indicators at Risk**

- 7.6 The particularly strong performance under this S.O. provides a counterbalance for some other S.O.s where the impacts of COVID-19 have had more of a dampening effect on business support demand leading to under achievement against original targets.

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<sup>10</sup> Department for Business, Energy & Industrial Strategy (2020)

## **8. Findings from ERDF Specific Objective 2.4: Employment Growth in SMEs**

### **Overview of Specific Objective**

8.1 The aim for Specific Objective 2.4 as set out in the ERDF Operational Programmes was ‘To increase the growth of those SMEs with growth potential, in particular through accessing new markets (both domestic and international)’.

8.2 Example activities for this specific objective included the following wide-ranging activities:

- Information and advice for business, such as universally available support to all SMEs e.g. through websites and help-lines.
- Tailored support for economically important and growth businesses, including Social Enterprises, to address barriers to improving productivity, for example: sales, marketing, product development, pricing, and risk management.
- Tailored advice and business support to address barriers to growth, for example: HR issues, strategy, marketing, business models, systems, risk management, resource efficiency, operational improvement, product development, supply chains and distribution.
- Customised delivery of support for social enterprise development and growth (including the promotion of innovative business models) where there are evidenced gaps in existing mainstream provision.
- Capacity building, advice, guidance, and support to address barriers for Welsh businesses to access procurement opportunities (including international markets).
- Support for the internationalisation of businesses and increasing exports, such as brokerage and partner events, trade fairs, training, counselling/advice/mentoring, mission-related costs or other financial support, market research or other information services.
- Support for resource efficiency and energy efficiency measures within SMEs, including addressing barriers to related investment, support for behavioural change, supporting the diffusion of technology and innovation and encouraging SMEs to undertake energy audits.

**Table 8.1: Output and Outcome Indicators for SO2.4**

<b>Outputs</b>	<b>Outcomes</b>
Number of enterprises receiving grants	Private investment matching public support to SMEs – Grants
Number of enterprises receiving financial support other than grants	Increase in level of export
Number of enterprises receiving non-financial support	Employment increase in supported enterprises
	Enterprises adopting or improving: sustainable development strategies and monitoring systems equality and diversity strategies and monitoring systems

Note: Highlighted cells used to show the indicators in scope for this study

### **Target Setting Approach**

- 8.3 The targets for the indicators under SO2.4 were primarily based on the following 2007-2013 projects:
- Customer Engagement
  - Export Assist
  - eBusiness And ICT Support
  - Communities Investment Fund.
- 8.4 A policy-based approach was adopted for setting the targets for ‘Number of enterprises receiving grants’ and ‘Number of enterprises receiving financial support other than grants.’ This revolved around aggregating targets for three elements of support expected under this Investment Priority, noting that most support for each area would be expected to be non-financial.
- 8.5 For targets relating to growth (e.g. entry into new markets), a proportional split of 90:10 was made in favour of ‘Number of enterprises receiving financial support other than grants’, with the expectation that economically important and growth businesses would require less grant support (which were expected to only be available in exceptional circumstances).

- 8.6 For targets relating to Social Enterprises a split of roughly 60:40 has been used in favour of 'Number of enterprises receiving financial support other than grants.' This is based on experience of projects in the 2007-2013 programmes.
- 8.7 A policy-based approach was adopted for setting the targets for 'Enterprises adopting or improving their equality strategies' and 'Enterprises adopting or improving their environmental sustainability strategies', set at 50% of enterprises receiving support in both cases.

**Table 8.2: Progress of ERDF Specific Objective 2.4 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys				East Wales			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend (£m)	£37.9	116%	N/A	91%	£8.4	126%	N/A	105%
Number of enterprises receiving non-financial support	8,000	79%	5,368	102%	5,400	58%	2,571	109%
Number of enterprises receiving financial support other than grants	330	0%	0	0%	115	0%	0	0%
Private investment matching public support to SMEs - Grants	€4.32m	18%	€0.6m	0%	€2.22m	36%	€0.6m	0%
Sustainable development strategies and monitoring systems	5,910	31%	1,463	88%	3,200	24%	565	104%
Equality and diversity strategies and monitoring systems	5,910	33%	1,547	89%	3,200	27%	559	105%

**Table 8.3: Progress of SO2.4 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>• Number of enterprises receiving non-financial support is substantially under-committed in both regions.</li> <li>• There has been no commitment against number of enterprises receiving financial support other than grants.</li> <li>• Commitment for 'Private investment matching public support to SMEs – Grants' is extremely low (only 18% committed in WWV and 36% in EW).</li> <li>• The two cross-cutting themes indicators are significantly under-committed in both regions. This is despite the fact that WEFO intended over-performance in these indicators under SO2.2 and SO2.4 to compensate for not delivering against these targets in other S.O.s in PA1 and PA2.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of enterprises receiving non-financial support is the main output indicator under this S.O. The under-commitment against this output target indicates that the unit cost of support per business has been higher in practice than expected in original target setting. However – key outcomes under this S.O. including employment increase and increase in level of export are over-committed (and have already exceeded targets in both regions), indicating that the support provided has been to a smaller number of SMEs but more intensive than originally envisaged, and has still exceeded targets in terms of the economic outcomes.</li> <li>• Number of enterprises receiving financial support other than grants was identified at an early stage of delivery as unsuited to this S.O. and should not have been included, so the programme has not sought commitments against this indicator from supported projects.</li> <li>• With regard to 'Private investment matching public support to SMEs – Grants' there was very little demand from applicants to incorporate this indicator into projects. Although more challenging to secure commitment to this after the outbreak of the COVID-19 pandemic, the commitment against this indicator was already at a similar level pre-Covid 19.</li> <li>• The targets for the two cross-cutting themes indicators would mean around 75% of business supported under this S.O. would need to deliver against these indicators, but this level of commitment was not built into contracts with delivery partners.</li> </ul>
Output Achievement	<ul style="list-style-type: none"> <li>• Enterprises receiving non-financial support is over achieving against profile in both regions.</li> </ul>	<ul style="list-style-type: none"> <li>• No issues to highlight.</li> </ul>

	<b>Summary of Progress</b>	<b>Explanatory Factors</b>
Outcome Achievement	<ul style="list-style-type: none"> <li>• Private investment matching public support to SMEs – Grants is showing 0% achieved to date.</li> <li>• Achievement against cross cutting indicator profiles are over achieving against profile in EW but slightly under-performing (around 90%) against profile in WWV.</li> </ul>	<ul style="list-style-type: none"> <li>• Regarding the private investment outcome, feedback suggests there was little incentive for contractors to secure this as the way it was set up, any private funding secured would replace ERDF investment in projects. As outlined above, this is also harder to achieve in a more challenging economic climate where business confidence is lower – as has been the case since the outbreak of COVID-19 alongside impacts of Brexit.</li> <li>• No additional issues to highlight regarding cross cutting theme indicators.</li> </ul>

### **Expected Future Performance**

- 8.8 At present there is a high risk that the project will fall substantially short of the – ‘number of enterprises receiving non-financial support’ output target, especially in EW.
- 8.9 There is not expected to be any delivery against the number of enterprises receiving financial support other than grants target in either region.
- 8.10 There is a high risk that private investment matching public support to SMEs – grants will fall far short of the programme targets.
- 8.11 There is a high risk that both cross cutting theme indicators will fall far short of programme targets.

### **Wider Evidence**

#### *Evidence around changes in business confidence / willingness to invest*

- 8.12 In 2018, the first in the quarterly series of Economic Intelligence Wales (EIW) reports by Cardiff Business school stated that economic conditions were fuelling pessimism in the sector, with the Federation of Small Businesses (FSB)’s Small Business Index revealing an increasing number of enterprises expecting performance to have worsened in the first quarter of 2018, the FSB reported that one in seven small business owners were planning to downsize. Barriers to growth were linked to poorer consumer demand, and gaining access to skilled staff, as well as uncertainty caused by Brexit<sup>11</sup>.
- 8.13 The October 2019 quarterly report<sup>12</sup> stated that analysis by the Bank of England (based on a survey of UK firms), suggested that anticipation of Britain leaving the European Union had reduced investment by UK firms by around 11% in the three years following the referendum. Welsh SME confidence had fallen into negative territory, the Small Firm Business Index for Wales showed that business confidence had fallen from 18.3 in Quarter 2 of 2019 to -15.5 in Quarter 3.<sup>13</sup>

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<sup>11</sup> Economic Intelligence Wales (2018), 5

<sup>12</sup> Economic Intelligence Wales (2019)

<sup>13</sup> Economic Intelligence Wales (2020), 2-3

8.14 By 2020 In both the UK and Wales, the percentage of SMEs planning to grow had declined since 2018.

### **Conclusions on the Indicators at Risk**

- 8.15 Across this specific objective many of the key indicators provide a very positive narrative. Although the main business support output (enterprises receiving non-financial support) is below target, those that have been supported have received more intensive support than originally anticipated and have delivered higher economic outcomes (employment increase and increase in exports) than originally expected.
- 8.16 Number of enterprises receiving financial support other than grants was not a suitable indicator for this S.O. and has not been focused on. As identified above though, this has not ultimately affected the achievement of the key economic outcomes sought around increases in employment and exporting.
- 8.17 Under-achievement against private investment matching public support to SMEs is a weakness in that meeting this target could have enhanced the cost effectiveness of delivering support. Contracting of projects under this S.O. did not ensure sufficient commitment to this target, which is unlikely to be possible to address now. However, WEFO can still apply pressure to ensure that delivery partners meet existing commitments against this indicator, as there is currently 0% achievement against this in both regions.
- 8.18 None of these indicators however are performance framework targets.
- 8.19 The two cross-cutting theme indicators, while not performance framework targets either, were identified by WEFO as a particular focus in this S.O., with this S.O. alongside SO2.2 having responsibility to deliver these targets on behalf of the whole programme. This means as well as delivering against the cross cutting theme targets for this S.O., it should be over-achieving in order to also cover the targets from other specific objectives where WEFO made the decision that these would not be directly delivered through SO1.2, SO2.1 and SO2.5. More will need to be done to increase commitments and achievements with delivery partners (primarily Business Wales) in order to get closer to achieving these targets.

## 9. Findings from ERDF Specific Objective 2.5: Risk Capital Finance

### Overview of Specific Objective

9.1 The aim for Specific Objective 2.5 as set out in the ERDF Operational Programmes was 'To address market failures in the availability of finance, in particular risk capital, for Welsh SMEs to undertake innovation and commercialise R&D.'

9.2 Example activities for this specific objective included the following:

- Access to debt, equity and mezzanine finance
- Tailored business finance schemes (e.g. for key sectors or specific geographic areas).

**Table 9.1: Output and Outcome Indicators for SO2.5**

Outputs	Outcomes
Number of enterprises receiving financial support other than grants	Number of enterprises supported to introduce new to the firm products
Investment in enterprises	Private investment matching public support to SMEs - Non-grants
	Employment increase in supported enterprises
	Jobs safeguarded
	Enterprises adopting or improving: sustainable development strategies and monitoring systems equality and diversity strategies and monitoring systems

Note: Highlighted cells used to show the indicators in scope for this study

## **Target Setting Approach**

- 9.3 The targets for the indicators under SO2.5 were primarily based on the following 2007-2013 projects:
- R D and I Financial Support for Business
  - Advanced Sustainable Manufacturing Technologies
  - Wales Centre for Behaviour Change
  - Knowledge Transfer and Collaborative Industrial Research
  - Business Innovation Support
  - Knowledge Exploitation Capacity Development
  - High Performance Computing Wales
  - SEACAMS; BEACON; and SEREN.
- 9.4 A policy based approach was adopted for setting the targets for 'Enterprises adopting or improving their equality strategies' and 'Enterprises adopting or improving their environmental sustainability strategies', set at 20% of enterprises receiving support against both targets.

**Table 9.2: Progress of ERDF Specific Objective 2.5 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys				East Wales			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend (£m)	£32.3	80%	N/A	80%	£10.3	143%	N/A	143%
Number of enterprises receiving financial support other than grants	90	50%	45	122%	25	236%	55	96%
Employment increase in supported enterprises	490	22%	64	130%	145	198%	229	120%
Sustainable development strategies and monitoring systems	45	0%	0	0%	13	0%	0	0%
Equality and diversity strategies and monitoring systems	45	0%	0	0%	13	0%	0	0%

**Table 9.3: Progress of SO2.5 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>Number of enterprises receiving financial support other than grants is substantially under-committed in WWV</li> </ul>	<ul style="list-style-type: none"> <li>In WWV there is under-commitment against the spend allocation (partly due to decommitments) and then there has been investment in fewer firms but greater investment per firm than originally anticipated. Reduced commitments also reflect the reduced demand as business confidence and appetite to take on external</li> </ul>

	<b>Summary of Progress</b>	<b>Explanatory Factors</b>
	<p>(only 50% committed) but over-committed in EW.</p> <ul style="list-style-type: none"> <li>• Employment increase in supported enterprises is substantially under-committed in WWV (only 22% committed) but over-committed in EW.</li> <li>• The two cross cutting theme indicators are at 0% commitment in both regions.</li> </ul>	<p>finance reduced following the outbreak of COVID-19 alongside the impacts of Brexit.</p> <ul style="list-style-type: none"> <li>• Under-commitment against employment increase in supported enterprises, like the points above, reflects the under-commitment of business support output targets as well as the more challenging economic climate which has meant businesses increasingly focused on survival and safeguarding jobs rather than growth and job creation.</li> <li>• WEFO made a decision to remove the cross-cutting theme indicators from this S.O. and capture all of these in SO2.2 and SO2.4, which is why these indicators appear to be extremely under-committed.</li> </ul>
Output Achievement	<ul style="list-style-type: none"> <li>• Number of enterprises receiving financial support other than grants is over achieving against profile in WWV and close to profile (96%) in EW.</li> </ul>	<ul style="list-style-type: none"> <li>• No issues to highlight.</li> </ul>
Outcome Achievement	<ul style="list-style-type: none"> <li>• Employment increase outcome is over achieving against profile in both regions.</li> <li>• The two cross cutting theme indicators are at 0% achievement in both regions</li> </ul>	<ul style="list-style-type: none"> <li>• No issues to highlight.</li> </ul>

### **Expected Future Performance**

- 9.5 It is currently anticipated that number of enterprises receiving financial support other than grants and the employment increase outcome target will not be achieved in WWV by the end of the programme. Both are expected to be fully achieved in EW.
- 9.6 Cross-cutting theme indicators will not be delivered under this S.O. but are discussed in detail under SO2.2 and SO2.4.

### **Wider Evidence**

#### *Evidence around changing demand for external finance*

- 9.7 The updated ex-ante evaluation of the Wales Business Fund (Regeneris Consulting, 2018) highlights lower demand for equity investments in WWV than in EW, primarily due to the sectoral make-up of the SME business base in these areas, with more SMEs in East Wales suitable for equity investment, such as early stage technology companies and University spinouts.
- 9.8 More generally, the report identified that the proportion of those seeking external finance has fallen. The proportion of medium-sized businesses obtaining finance decreased by 5-percentage points between 2012 and 2016, and according to both the BEIS Small Business Surveys and the SME Finance Monitor, at a regional and national level, the percentage of SMEs using external finance at both geographical levels has fallen, while the percentage of permanent non-borrowers (PNBs) has risen.

#### *Evidence of impacts of COVID-19 and Brexit on business confidence*

- 9.9 Evidence shows reduced business confidence and appetite for investment following the outbreak of the COVID-19 pandemic, as outlined in Section 0.

### **Conclusions on the Indicators at Risk**

- 9.10 Number of enterprises receiving financial support other than grants in WWV is not expected to hit its target by the end of the programme. This is in part due to the challenging economic climate and impacts of COVID-19 and Brexit on reduced business confidence, exacerbating existing structural issues in the WWV region where there is already often low appetite for businesses to take on external finance.

Despite this, the overall 'investment in enterprises' target in WWV has already been exceeded, meaning the investment secured has just been concentrated in a smaller number of businesses than originally anticipated.

- 9.11 As a result of the economic climate, the focus of investment under this S.O. shifted, to investing in businesses that supported business survival and safeguarding of existing jobs, at least in the short term, and as such it would help to better capture the overall impacts of this investment to incorporate a new 'businesses safeguarded' indicator and target, and reduce the employment increase target alongside this, particularly for WWV.
- 9.12 None of the indicators covered for this specific objective are performance framework targets.

## 10. Findings from ERDF Specific Objective 3.1: Marine Energy (WWV only)

### Overview of Specific Objective

- 10.1 The aim for Specific Objective 3.1 in WWV only as set out in the ERDF Operational Programmes was 'To increase the number of wave and tidal energy devices being tested in Welsh waters and off the Welsh coast, including multi-device array deployments, thereby establishing Wales as a centre for marine energy production'.
- 10.2 Example activities for this specific objective included the following:
- Marine energy innovation and R&D with commercial potential including prototypes, demonstrators and pre-commercial devices and arrays. This can include a range of activity leading to this, including:
    - applied research
    - design
    - manufacture.
  - Increase the capability to test marine energy devices off the Welsh coast by targeted infrastructure investments and preparatory work to remove barriers, reduce risks and maximise investor confidence. These investments can be aimed at encouraging deployment of pre commercial marine devices for testing and demonstration. For example:
    - site preparation
    - shore-based facilities
    - connections
    - access
    - surveys.
  - Support to remove barriers and help part-finance test and demonstration devices and arrays.

**Table 10.1: Output Indicators for SO3.1**

Output
Number of renewable energy prototypes tested
Energy support site preparation schemes

Note: Highlighted cells used to show the indicators in scope for this study

- 10.3 Both indicators under this specific objective are performance framework indicators for the West Wales and the Valleys ERDF Programme.

**Target Setting Approach**

- 10.4 The targets for 'Energy support site preparation schemes'; and 'Number of renewable energy prototypes tested' are based on activity currently envisaged for future funding.

**Table 10.2: Progress of ERDF Specific Objective 3.1 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend (£m)	£90	82%	N/A	51%
Energy support site preparation schemes	2	300%	2	50%
Number of renewable energy prototypes tested	8	86%	4	75%

**Table 10.3: Progress of SO3.1 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>The Energy support site preparation schemes output target is over-committed (300%).</li> <li>The number of renewable energy prototypes tested is 86% committed, which is approximately in line with the proportion of spend allocation for this S.O. that has been committed to date.</li> </ul>	<ul style="list-style-type: none"> <li>There is remaining spend to be allocated under this S.O. (only 82% committed) which could be allocated to increase the commitments associated with the number of renewable energy prototypes tested target. Alternatively, if that funding is re-allocated away from this S.O., the number of renewable energy prototypes tested target could be reduced down proportionately to 7 (which would give 100% target committed).</li> </ul>
Output Achievement	<ul style="list-style-type: none"> <li>Both output indicators are under-achieving against profile to date</li> </ul>	<ul style="list-style-type: none"> <li>For both indicators, the targets are based on specific projects which are reliant on complex consenting processes as well as being subject to cost fluctuations.</li> <li>There is evidence that Brexit / COVID-19 have contributed to cost increases of materials and construction works, as well as time delays.</li> </ul>

### **Expected Future Performance**

- 10.5 At this stage stakeholders felt that these indicators were still currently expected to deliver at least to within tolerance levels<sup>14</sup> of the targets.

### **Wider Evidence**

*Research on the impacts of Brexit / COVID-19 on costs of materials and construction works, as well as time delays*

- 10.6 In December 2021 the Construction Journal stated that the combined factors of demand, delivery delays and the pandemic were having a significant impact on the global construction supply chain, a situation worsened in the UK by Brexit.<sup>15</sup>
- 10.7 A mid-term evaluation of one of Welsh Government's major ERDF-backed capital investment programmes, Building for the Future Programme,<sup>16</sup> published in June 2021, found that increased volatility in costs, in addition to ongoing concerns surrounding the availability of materials led to delays and uncertainty around construction projects. The biggest challenge faced by applicants reportedly related to the escalation in costs for each project, with applicants typically having budget contingencies of 10 per cent built into their projects, whereas some projects had suffered from escalations in costs of around 60 per cent. Two of the influencing factors were given as contractors building in risk to their quotes because of the pandemic and increased volatility in the price of materials/heightened uncertainty surrounding supplies and suppliers.
- 10.8 When considering risks to the successful delivery of projects, several stakeholders referred to fears that a prolonged second wave of COVID-19 and the associated lockdowns may delay or halt progress in project builds.

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<sup>14</sup> [Tolerance levels for achievement of performance framework targets are assumed to be at least 85% of the target being achieved by the end of the programme, in line with European Commission guidance.](#)

<sup>15</sup> Ward, B. (2021)

<sup>16</sup> Allies, O. Turner, D. (2021)

### **Conclusions on the Indicators at Risk**

- 10.9 Overall commitments are close to 100% for both indicators and at least in line with spend allocation for this S.O. Achievement levels however are behind profile for both indicators and warrant close attention and risk management on a project by project basis for the remainder of the programme to ensure achievement.
- 10.10 These indicators are both performance framework targets so if that close management process indicates a significant risk of certain projects not delivering within the timescales available, that may trigger the need to consider renegotiation of these targets with the European Commission.

## 11. Findings from ERDF Specific Objective 3.2: Community Energy (SO3.1 for EW)

### Overview of Specific Objective

- 11.1 The aim for Specific Objective 3.2 as set out in the ERDF Operational Programmes was 'To increase the number of small scale renewable energy schemes established'.
- 11.2 Example activities for this specific objective included the following:
- Capacity development for local groups
  - Advice and guidance on setting up small scale renewable energy generation schemes
  - Support for collaborative working with developers on community supported schemes
  - Investments tailored to address barriers to accessing finance for small and community schemes supporting a low Carbon transition
  - Development and implementation of low Carbon strategies supporting the demonstration of benefits for a specific geographical area.

**Table 11.1: Output Indicators for SO3.2**

Outputs
Number of pilot projects completed
Community energy schemes

Note: Highlighted cells used to show the indicators in scope for this study

### Target Setting Approach

- 11.3 The targets for the indicators under SO3.2 were primarily based on the Ynnir Fro 2007-2013 project.
- 11.4 The targets for 'Number of pilot projects completed' and 'Community energy schemes' are based on activity currently envisaged for future funding.

**Table 11.2: Progress of ERDF Specific Objective 3.2 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys				East Wales			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend (£m)	£21	103%	N/A	18%	£0	-	-	-
Community energy schemes	3	367%	0	0%	3	0%	0	0%
Number of pilot projects completed	4	325%	1	0%	3	0%	0	0%

**Table 11.3: Progress of SO3.2 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>Both output indicator targets are over-committed in WWV and 0% committed in EW.</li> </ul>	<ul style="list-style-type: none"> <li>Funding allocated for EW was removed, and so targets need to also be removed from this S.O. for EW.</li> </ul>
Output Achievement	<ul style="list-style-type: none"> <li>Both indicators at 0% achieved in WWV at this stage.</li> </ul>	<ul style="list-style-type: none"> <li>The nature of the projects supported through this S.O. involve long timeframes meaning that evidencing of outputs is back-loaded towards the end of the programme.</li> <li>There is some indication that Brexit / COVID-19 have contributed to construction cost increases, as well as time delays.</li> </ul>

### **Expected Future Performance**

- 11.5 Stakeholders engaged through this study indicated an expectation that the figures for WWV would still be fully achieved by the end of the programme period.

### **Wider Evidence**

*Research on the impacts of Brexit / COVID-19 on costs of materials and construction works, as well as time delays*

- 11.6 Wider evidence set out at Section 0.

### **Conclusions on the Indicators at Risk**

- 11.7 Commitments are over 100% in WWV, but no outputs have been achieved to date. This primarily reflects the back-loaded nature of these indicators, at the end of lengthy delivery timescales. Achievement levels for both indicators warrant close attention and risk management on a project by project basis to ensure targets are reached.
- 11.8 These indicators are not performance framework indicators, however.
- 11.9 The targets for East Wales need to be reduced to 0 to reflect the removal of any funding allocation for this S.O in EW.

## 12. Findings from ERDF Specific Objective 3.3: Energy Efficiency in Housing (SO3.2 in EW)

### Overview of Specific Objective

12.1 The aim for Specific Objective 3.3 as set out in the ERDF Operational Programmes was 'To increase the energy efficiency of the existing Welsh housing stock, particularly in areas of fuel poverty'.

12.2 Example activities for this specific objective included the following:

- Energy conservation and efficiency measures in existing housing. Consideration should be given to achieving multiple benefits, appropriate targeting to achieve that, and opportunities to utilise repayable finance.
- Energy efficiency advice and measures to encourage behavioural change.
- The provision of green infrastructure such as the construction of "green" roofs and "green" walls and other appropriate actions to reduce energy use and for smarter energy management.
- Opportunities to support the development and use of ICT-based solutions to address energy efficiency in housing challenges.

**Table 12.1: Output and Outcome Indicators for SO3.3**

Output	Outcome
Number of households with improved energy consumption classification	Estimated decrease of Greenhouse Gases

Note: Highlighted cells used to show the indicators in scope for this study

12.3 The number of households with improved energy consumption classification is a performance framework indicator for both the EW and WWV ERDF programmes.

### Target Setting Approach

12.4 The targets for the indicators under this Investment Priority are primarily based on the Arbed Phase 2 2007-2013 project.

**Table 12.2: Progress of ERDF Specific Objective 3.3 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys				East Wales			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend (£m)	£28.5	43%	N/A	27%	£4.1	87%	N/A	78%
Number of households with improved energy consumption classification	3060	61%	1573	113%	765	100%	576	133%

**Table 12.3: Progress of SO3.3 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>The number of households with improved energy consumption classification is fully committed in EW but substantially under-committed (only 61%) in WWV.</li> </ul>	<ul style="list-style-type: none"> <li>Prior to the outbreak of the COVID-19 pandemic commitment against this indicator was at 100% in both regions. More progress was made in delivering the EW target pre-COVID-19 meaning this was less affected, however in WWV there was a greater impact from COVID-19. This included staff within the main delivery body being furloughed, people being reluctant to allow workers into their homes (which was required for delivery of activities as well as inspection and subsequent energy assessments required for evidencing). The impacts of this was that funding was withdrawn from the scheme for WWV and project commitments reduced.</li> </ul>
Output Achievement	<ul style="list-style-type: none"> <li>There is over-achievement against profiled outputs to date in both regions.</li> </ul>	<ul style="list-style-type: none"> <li>In practice the delivery scheme has now closed. In EW there is 100% achievement against the overall target. For WWV there is 58% achievement against the original target.</li> </ul>

### **Expected Future Performance**

- 12.5 The main delivery scheme for this S.O. has now closed and there are not expected to be any further investments under this S.O. Current achievements are therefore not expected to change by the end of the programme.

### **Wider Evidence**

#### *Impacts of COVID-19 on ability to install home energy efficiency improvements*

- 12.6 COVID-19 and associated lockdowns and restrictions had a significant impact on the installation of home energy efficiency improvements during the second quarter of 2020, with many businesses suspending the delivery of services until it was safe to re-enter homes by following newly established COVID-19 guidance. The UK government's Household Energy Efficiency Detailed Release 2020<sup>17</sup> reported decreased installation levels from January through to May 2020, initially due to installers having to be Trustmark registered and meet new PAS standards, leading to lower measure installation levels in January. The UK government's ECO scheme saw installations decrease in the months following the beginning of the pandemic, with delivery in April down 57 per cent on March. ECO installation levels remained significantly below the monthly average throughout April and May, delivery in April 2020 decreasing by 22 per cent relative to April 2019<sup>18</sup>.

### **Conclusions on the Indicators at Risk**

- 12.7 The number of households with improved energy consumption classification has been fully achieved for EW, but only 58% achieved in WWV and this is not expected to change by the end of the programme. This is a performance framework target and therefore important to renegotiate changes to the target for WWV.
- 12.8 There is a clear rationale for renegotiating this target, based on the challenges with delivering this support following the outbreak of COVID-19, and the reduction in this target would be proportionate to the reduction in spend allocation, similarly reflecting that this activity was not able to go ahead as originally planned.

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<sup>17</sup> Department for Business, Energy & Industrial Strategy (2021b)

<sup>18</sup> [The final figures from the Arbed home energy efficiency scheme can be found here](#)

## 13. Findings from ERDF Specific Objective 4.2: Public Transport (SO4.1 in EW)

### Overview of Specific Objective

13.1 The aim for Specific Objective 4.2 as set out in the ERDF Operational Programmes was ‘To increase urban and labour mobility to and from key urban and employment centres.’

13.2 Example activities for this specific objective included the following:

- Intermodal and sustainable transport facilities that improve access to employment and education better integrating public transport and increasing its accessibility and likely use as a viable alternative for commuting (e.g. park and ride facilities, transport hubs, connecting bus and rail, cycle links, etc.).
- Improvements to rail network where it can deliver against the result indicator, specifically where it can connect growth areas to areas of unemployment (e.g. station improvements, signalling, new lines, electrification, etc.).
- Alleviation of urban congestion (e.g. traffic management, developing low-carbon transport systems and strategies, promoting urban mobility).
- Piloting or roll-out of Smart ticketing and Intelligent Transport System solutions that provide a more seamless integrated transport system, encouraging more regular use of public transport as preferred transport mode.

**Table 13.1: Output and Outcome Indicators for SO4.2**

Outputs	Outcomes
Total length of reconstructed or upgraded railway line (including TEN-T)	Land developed
Intermodal facilities created or improved	Reduction in CO2 equivalent emissions

Note: Highlighted cells used to show the indicators in scope for this study

13.3 The total length of reconstructed or upgraded railway line (including TEN-T) is a performance framework indicator for both the East Wales and West Wales and the Valleys ERDF Programmes.

### **Target Setting Approach**

- 13.4 The indicator targets under this Investment Priority are all based on activity currently envisaged for future funding.

**Table 13.2: Progress of ERDF Specific Objective 4.2 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys				East Wales			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend	£154.8	88%	N/A	18%	£32.5	97%	N/A	19%
Total length of reconstructed or upgraded railway line (including TEN-T)	24	100%	0	0%	5	36%	0	0%

**Table 13.3: Progress of SO4.2 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>Total length of reconstructed or upgraded railway line (including TEN-T) is 100% committed in WWV but only 36% committed in EW.</li> </ul>	<ul style="list-style-type: none"> <li>Under-commitment in EW is primarily due to insufficient demand for projects which could be delivered within the available timescales for the programme.</li> </ul>
Output Achievement	<ul style="list-style-type: none"> <li>To date there have been no outputs recorded in either region for the total length of reconstructed or upgraded railway line indicator.</li> </ul>	<ul style="list-style-type: none"> <li>No indicators were profiled to be achieved by this stage. Achievement will be back-loaded as with most capital projects.</li> <li>Stakeholders did report a lag on delivery, with the outbreak of the COVID-19 pandemic having had some effects in terms of material supply and reduced ability to work on site during certain periods. There have been some cost effects as well, although stakeholders did not believe these would have a critical effect on achievements.</li> </ul>

### **Expected Future Performance**

- 13.5 At this stage stakeholders felt that this indicator for WWV was still currently expected to deliver at least to within tolerance levels of the targets, however risks remain around costs and timescales.
- 13.6 In EW, the total length of reconstructed or upgraded railway line indicator is not currently expected to be achieved by the end of the programme period.

### **Wider Evidence**

*Research on the impacts of Brexit / COVID-19 on costs of materials and construction works, as well as time delays*

- 13.7 Wider evidence set out at Section 0.

### **Conclusions on the Indicators at Risk**

- 13.8 Total length of reconstructed or upgraded railway line (including TEN-T) is a performance framework target and so any risks to under-achievement will require careful management.
- 13.9 Commitment level is 100% in WWV, but no outputs have been achieved to date. This primarily reflects the back-loaded nature of these indicators, at the end of lengthy delivery timescales. However, achievement against this indicator warrants close attention and risk management on a project by project basis for the remainder of the programme to ensure targets are reached.
- 13.10 In EW, commitment is much lower and not expected to increase. As well as monitoring progress against existing commitments (as above), the targets for East Wales are likely to need to be renegotiated down with the European Commission on the basis of insufficient demand for this funding for activity that was deliverable within programme timescales. One option would be to counter-balance the reduction in this indicator with an increase in the number of inter-modal facilities which is expected to over achieve against its current target.

## 14. Findings from ERDF Specific Objective 4.4: Strategic Sites – WWV only

### Overview of Specific Objective

14.1 The aim for Specific Objective 4.4 as set out in the ERDF Operational Programmes was ‘To increase employment through investments in prioritised local or regional infrastructure supporting a regional or urban economic strategy’.

14.2 Example activities for this specific objective included the following:

- Business sites and premises in strategic sites, including property development and land remediation.
- Economically significant investments in Wales’ physical infrastructure (built and natural/green). This particularly covers activities where a key component involves integrated regeneration and economic development schemes (such as tourism, culture or heritage assets).
- Enabling infrastructure (e.g. local road investment improving access to a site) where an essential part of an integrated scheme is delivering against the Specific Objective and result indicator.

**Table 14.1: Output and Outcome Indicators for SO4.4**

<b>Outputs</b>	<b>Outcomes</b>
Land developed	Jobs accommodated
Premises created or refurbished	SMEs accommodated

Note: Highlighted cells used to show the indicators in scope for this study

## **Target Setting Approach**

14.3 The targets for the indicators under SO4.4 were primarily based on the following 2007-2013 projects:

- the JESSICA Fund
- Ebbw Vale Innovation Centre Phase 2
- Parc Busnes Treorci
- South West Wales Property Development Fund
- Strategic Employment Sites Infrastructure Fund
- Felindre Strategic Business Park
- Ebbw Vale Town Centre Regeneration
- Abertillery Town Centre Regeneration
- Newbridge Regeneration Programme
- Bargoed Regeneration Programme
- Pontypridd Town Centre Regeneration
- Haven Towns Regeneration Phase 2
- Pembroke and Pembroke Dock
- Merthyr Tydfil Town Centre Regeneration Programme
- Physical Regeneration of Aberdare
- Blaenau Gwent Learning Zone
- Nantgarw 3.

**Table 14.2: Progress of ERDF Specific Objective 4.4 Indicators which are at Risk of not Achieving Targets**

Outputs / Outcomes	West Wales and the Valleys			
	Target	% of Target Committed	Outputs Profiled to date	% of Spend / Profiled Outputs Achieved to date
Spend (£m)	£150.2	101%	N/A	41%
Land developed	100	152%	96	56%
Premises created or refurbished	150,000	118%	71,647	7%
Jobs accommodated	3,000	175%	2882	3%
SMEs accommodated	235	226%	188	9%

**Table 14.3: Progress of SO4.4 Indicators at Risk and Summary of Explanatory Factors**

	Summary of Progress	Explanatory Factors
Commitments	<ul style="list-style-type: none"> <li>There is over 100% commitment against targets for all output and outcome indicators under this S.O.</li> </ul>	<ul style="list-style-type: none"> <li>No issues to highlight.</li> </ul>
Output Achievement	<ul style="list-style-type: none"> <li>There is substantial under-achievement against profile targets in both land developed (56% of profile achieved) and premises</li> </ul>	<ul style="list-style-type: none"> <li>There has been a lag in delivery against land developed and premises created or refurbished targets. Stakeholders highlighted that partly reflected some optimism bias around timescales for planning and mobilisation, as well as delays following the outbreak of COVID-19, with impacts on supply chains and limitations on access to site over certain periods.</li> </ul>

	<b>Summary of Progress</b>	<b>Explanatory Factors</b>
	created or refurbished (7% of profile achieved).	<ul style="list-style-type: none"> <li>It was also highlighted there were ongoing risks around increasing costs, relating to the effects of COVID-19, Brexit, rising energy prices and increasing sustainability regulations.</li> </ul>
Outcome Achievement	<ul style="list-style-type: none"> <li>There is substantial under-achievement against profile targets in both jobs accommodated (3% of profile achieved) and SMEs accommodated (9% of profile achieved).</li> </ul>	<ul style="list-style-type: none"> <li>Achievement of these outcome indicators of SMEs and jobs accommodated is closely tied to achievement of the associated output indicators. There is no sign of additional lag on achievement of these targets, beyond the lags on achieving output targets.</li> </ul>

### **Expected Future Performance**

- 14.4 Stakeholders highlighted that land developed and SMEs accommodated should be met or be within an acceptable margin of the targets by the end of the programme. They were less confident with respect to achievement of the premises refurbished and jobs accommodated targets. The back-loaded nature of achievement of many of these indicators does create higher risks that these targets are not achieved.

### **Wider Evidence**

*Research on the impacts of Brexit / COVID-19 on costs of materials and construction works, as well as time delays*

- 14.5 Wider evidence set out at Section 0.

### **Conclusions on the Indicators at Risk**

- 14.6 Overall, the output and outcome indicators in this S.O. are all over-committed, however there is a lag on delivery, and while stakeholders remain confident that some targets will be met or within acceptable margin of the targets set, some may fall short, notably premises refurbished and jobs accommodated. These are not performance framework targets; however it would nevertheless be valuable to give close attention and risk manage these indicators on a project by project basis to seek to ensure targets are reached by the end of the programme.

## 15. Conclusions

15.1 This section draws together a summary of the conclusions set out for each of the ERDF indicators in scope for this study.

Indicator	Conclusions
<b>Specific Objective 1.1: Research Capacity</b>	
Number of new researchers in supported entities	<ul style="list-style-type: none"> <li>• <u>High risk of not being achieved in EW</u>, although not a performance framework target.</li> <li>• Main reason being that original target was too stretching (proportionately a much higher target than for WWV).</li> </ul>
Amount of research funding secured	<ul style="list-style-type: none"> <li>• <u>Anticipated that the target will be achieved in both regions</u>, at least to within tolerance levels.</li> </ul>
<b>Specific Objective 1.2: Commercialisation</b>	
Number of enterprises receiving grants	<ul style="list-style-type: none"> <li>• <u>High risk of all output targets not being achieved in both regions</u>, although not performance framework targets. Significant funding decommitment from this S.O. as the impact of COVID-19 and Brexit, alongside other domestic programme offers, contributed to reduced demand from ERDF-backed projects.</li> <li>• Funding may need to be re-diverted to other parts of the programme and output targets need to be reduced proportionately.</li> </ul>
Number of enterprises receiving non-financial support	
Number of new enterprises supported	
Private investment matching public support in innovation or R&D projects	<ul style="list-style-type: none"> <li>• <u>High risk of not being achieved in both regions</u>, although not a performance framework target.</li> <li>• Primarily related to funding de-commitments and reduced outputs in supported projects. If funds re-diverted then need to reduce target proportionately.</li> </ul>

Indicator	Conclusions
Number of enterprises supported to introduce new to the market products	<ul style="list-style-type: none"> <li>• <u>High risk of not being achieved in both regions</u>, although not performance framework targets.</li> </ul>
Employment increase in supported enterprises	<ul style="list-style-type: none"> <li>• Partly reflects decommitments and under-achievement of output indicators as above.</li> <li>• Additional challenge in EW that targets were too stretching (proportionately much higher targets than for WWV).</li> </ul>
Number of patents registered for products	<ul style="list-style-type: none"> <li>• <u>High risk of not being achieved in both regions</u>, although not a performance framework target.</li> <li>• Indicator definition not fit for purpose with many businesses using alternative IPR approaches.</li> </ul>
<p>Enterprises adopting or improving:</p> <ul style="list-style-type: none"> <li>- Equality and diversity strategies and monitoring systems</li> <li>- Sustainable development strategies and monitoring systems.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Indicators not being addressed under this S.O.</u></li> <li>• Full programme targets being addressed under S.O 2.2 and 2.4.</li> </ul>
<b>Specific Objective 2.1: Access to Finance</b>	
Number of enterprises receiving financial support other than grants	<ul style="list-style-type: none"> <li>• <u>Anticipated that the target will be achieved in both regions</u>, at least to within tolerance levels.</li> </ul>
Employment increase in supported enterprises	<ul style="list-style-type: none"> <li>• <u>High risk of target not being achieved in both regions</u>, although not a performance framework target.</li> <li>• Primary reason is that job creation reduced as a result of the impacts of COVID-19 and Brexit. Programme could capture and report jobs safeguarded.</li> </ul>
<p>Enterprises adopting or improving:</p> <ul style="list-style-type: none"> <li>• sustainable development strategies and monitoring systems</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Indicators not being addressed under this S.O.</u> Full programme targets being addressed under S.O 2.2 and 2.4.</li> </ul>

Indicator	Conclusions
<ul style="list-style-type: none"> <li>equality and diversity strategies and monitoring systems.</li> </ul>	
<b>Specific Objective 2.2: Start-ups</b>	
Number of new enterprises supported	<ul style="list-style-type: none"> <li><u>Medium risk – both indicators expected to achieve within tolerance levels of targets in both regions.</u> Neither is a performance framework target.</li> </ul>
Employment increase in supported enterprises	<ul style="list-style-type: none"> <li>Main challenges have been a higher cost of support for new business start-up than originally expected, partly reflecting more challenging economic climate.</li> </ul>
Enterprises adopting or improving: <ul style="list-style-type: none"> <li>sustainable development strategies and monitoring systems</li> <li>equality and diversity strategies and monitoring systems.</li> </ul>	<ul style="list-style-type: none"> <li><u>High risk of not being achieved in both regions,</u> although not performance framework targets.</li> <li>There is a need for over-achievement in this S.O. and S.O.2.4, as all programme targets need to be delivered in these parts of the programme. More work is needed to increase commitments and achievements by delivery partners under this S.O.</li> </ul>
<b>Specific Objective 2.3: ICT take-up and Exploitation</b>	
Number of enterprises receiving non-financial support	<ul style="list-style-type: none"> <li><u>Anticipated that the target will be achieved in both regions.</u></li> </ul>
<b>Specific Objective 2.4: Employment Growth in SMEs</b>	
Number of enterprises receiving financial support other than grants	<ul style="list-style-type: none"> <li><u>High risk of not being achieved in both regions,</u> although not performance framework targets.</li> <li>Not seen as a suitable indicator for this S.O. and has not been contracted in any projects by WEFO.</li> </ul>
Number of enterprises receiving non-financial support	<ul style="list-style-type: none"> <li><u>High risk of not being achieved in both regions,</u> although not a performance framework target.</li> <li>Main reason is that in practice more intensive support has been provided to a smaller number of businesses (although</li> </ul>

Indicator	Conclusions
	key outcome measures e.g. increase in employment are still expected to be met).
Private investment matching public support to SMEs – Grants	<ul style="list-style-type: none"> <li>• <u>High risk of not being achieved in both regions</u>, although not a performance framework target.</li> <li>• Contracting of projects under this S.O. did not ensure sufficient commitment to this target.</li> </ul>
Enterprises adopting or improving: <ul style="list-style-type: none"> <li>• sustainable development strategies and monitoring systems</li> <li>• equality and diversity strategies and monitoring systems</li> </ul>	<ul style="list-style-type: none"> <li>• <u>High risk of not being achieved in both regions</u>, although not performance framework targets.</li> <li>• There is a need for over-achievement in this S.O. and S.O.2.2, as all programme targets need to be delivered in these parts of the programme. More work is needed to increase commitments and achievements by delivery partners under this S.O.</li> </ul>
<b>Specific Objective 2.5: Risk Capital Finance</b>	
Number of enterprises receiving financial support other than grants	<ul style="list-style-type: none"> <li>• <u>High risk of not being achieved in WWV</u>, although not a performance framework target. <u>Expected to be achieved in EW.</u></li> <li>• Main reason in WWV is that in practice more intensive support has been provided to a smaller number of businesses (so investment in enterprises target is still expected to be met).</li> </ul>
Employment increase in supported enterprises	<ul style="list-style-type: none"> <li>• <u>High risk of target not being achieved in WWV</u>, although not a performance framework target. <u>Expected to be achieved in EW.</u></li> <li>• Primary reason is that job creation reduced as a result of the impacts of COVID-19 and Brexit. Programme could capture and report jobs safeguarded.</li> </ul>
Enterprises adopting or improving: <ul style="list-style-type: none"> <li>• sustainable development strategies and monitoring systems</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Indicators not being addressed under this S.O.</u> Full programme targets being addressed under S.O 2.2 and 2.4.</li> </ul>

Indicator	Conclusions
<ul style="list-style-type: none"> <li>equality and diversity strategies and monitoring systems.</li> </ul>	
<b>Specific Objective 3.1: Marine Energy</b>	
Number of renewable energy prototypes tested	<ul style="list-style-type: none"> <li><u>Medium risk</u> – stakeholders still expect both targets to be met, at least to within tolerance levels, however they are reliant on a small number of key projects, which require close monitoring. <u>Both are performance framework targets.</u></li> </ul>
Energy support site preparation schemes	
<b>Specific Objective 3.2: Community Energy</b>	
Number of pilot projects completed	<ul style="list-style-type: none"> <li><u>Medium risk</u> - stakeholders still expect both targets to be met, at least to within tolerance levels, however they are reliant on a small number of key projects, which require close monitoring. Neither are performance framework targets however.</li> </ul>
Community energy schemes	
<b>Specific Objective 3.3: Energy Efficiency in Housing</b>	
Number of households with improved energy consumption classification	<ul style="list-style-type: none"> <li><u>This target is a performance framework target and will not be achieved in WWV. The target has been achieved in EW.</u></li> <li>This will need renegotiation for WWV, reflecting the decommitment of funding as the COVID-19 outbreak caused severe disruption to project delivery.</li> </ul>
<b>Specific Objective 4.2: Public Transport</b>	
Total length of reconstructed or upgraded railway line (including TEN-T)	<ul style="list-style-type: none"> <li><u>Medium risk</u> - this target is a performance framework target <u>and although still expected to be achieved in WWV, it is unlikely to be achieved in EW.</u></li> <li>In WWV, the target is reliant on a small number of key projects, which require close monitoring.</li> </ul>

Indicator	Conclusions
	<ul style="list-style-type: none"> <li>In EW, the target is likely to need to be renegotiated with the European Commission on the basis of insufficient demand - one option would be to counter-balance the reduction with an increase in the number of inter-modal facilities which is expected to over-achieve against its current target.</li> </ul>
<b>Specific Objective 4.4: Strategic Sites</b>	
Land developed	<ul style="list-style-type: none"> <li><u>Medium risk</u> - stakeholders expect some of these targets to be met, at least to within tolerance levels, however others are at risk of falling short, notably premises refurbished and jobs accommodated. They are reliant on a small number of key projects, which require close monitoring. None are performance framework targets however.</li> </ul>
Premises created or refurbished	
Jobs accommodated	
SMEs accommodated	

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## Annex A

The sections below set out:

- A list of consultees engaged as part of the consultation fieldwork for this study
- Copies of three topic guides used for different stakeholders in the study.

### Consultees

Name	Stakeholder Type
Amanda Hayman	Welsh Government
Andrew Davies	Welsh Government
Phil Allen	Welsh Government
Marcia Jones	Welsh Government
Robert Hoyle	Welsh Government
Delyth Morgan	Welsh Government
Karl James	Welsh Government
Jo Banks and Sarah Dawkins	Welsh Government
Duncan Hamer	Welsh Government
Jon Linfoord	Welsh Government
Baudewijn Morgan	Welsh Government
David Thomas	Welsh Government
Charlotte Gibson	Welsh Government
Helen Donovan	Welsh Government
Paul Smith and Tracy Welland	Welsh Government
Catrin Roberts	Welsh Government
Lee O'Sullivan	Welsh Government
Alison Shardelow	Welsh Government
Rhian Bird	Welsh Government
Mark Pritchard	Welsh Government
Manon Phillips	Welsh Government
Haydn Fitchett	Welsh Government
Jen Pride	Welsh Government
Sian Price	ERDF Project Lead
Rhian Elstan	ERDF Project Lead
Leanne Llewellyn	ERDF Project Lead
Vicky Thomas	ERDF Project Lead
Rhian Davies and Lisa Jones	ERDF Project Lead
Barbara Burchell	ERDF Project Lead

## Topic Guide A: WEFO and Policy Teams

# ERDF and ESF Indicator Review Study – WEFO / Policy Team Consultation Topic Guide

## Questions

### Introduction

Could you start by giving an overview of your role and the European Programme investment priority and Specific Objective areas you work most closely with.

### ***Refer to Sections A and B of the SO Specific Information – Indicators in Scope for Analysis, and Programme Commitments***

1. Have there been changes in policy / strategy since the outset of the programme which have:
  - a. materially altered the type of projects that partners wanted to fund under this Specific Objective?
  - b. contributed to under-commitment against the indicators outlined above?
2. Are there certain project types where there were no or fewer than expected funding applications, that has led to under-commitment against the indicators outlined above?

### ***Refer to Section C of the SO Specific Information – Output and Outcome Delivery***

3. To what extent has there been disruption to project delivery for projects within this Specific Objective area, relating to COVID-19 or other factors, and what has the effect of this been e.g.
  - a. made some activities no longer possible
  - b. slowed down delivery
  - c. led to higher costs for activities
4. To what extent has there been lower demand for project activities from potential beneficiaries than expected, and if so, is this related to:
  - a. economic climate
  - b. changes made to project delivery e.g. moving to online delivery
  - c. changes to the wider market offer e.g. competitor projects
5. Are there any larger scale projects with delivery challenges that are disproportionately affecting performance against these indicators?

6. Have changes in socio-economic conditions affected what beneficiaries do, or opportunities available after receiving support through this Specific Objective?
  - a. To what extent has this affected outcome target achievement?
  - b. Is outcome achievement lower overall, or are outcomes just taking longer to materialise?

***Refer to Section D of the SO Specific Information – Original Assumptions for Target Setting***

7. Are there issues with how these indicators are defined?
  - a. Are these indicators less relevant now for this Specific Objective?
  - b. Have there been any issues with projects collecting the required evidence for output or outcome indicators under this Specific Objective?
8. Does the rationale for setting these targets still hold?
  - a. Have any deliverables proved more costly to deliver than originally anticipated, leading to under-commitment?
  - b. Has the translation from outputs to outcomes been weaker than expected due to wider socio-economic conditions?
  - c. What other factors make this rationale for target setting less appropriate now?
9. Do you feel the projects funded under this Specific Objective differ significantly from the projects from the previous programme which were used to help set indicator targets?
  - a. If so, in what way?
  - b. Do you see this as a factor which may help to explain any risks of under-performance against indicators under this Specific Objective?
10. Are there any other factors not covered here which you believe are relevant in understanding any risks of under-performance against indicator targets?
11. Do you believe there are future factors over the next two years, not already discussed, which could affect performance of the indicators under this Specific Objective?
  - a. If so, please outline what these are and how you think they might affect future delivery and achievements
12. What changes do you believe may be needed to these indicators and targets – including addition / removal of possible indicators or re-quantification of targets?
  - a. What is the basis for this?
  - b. Is there any wider data / evidence you are aware of that supports this suggestion?

## ERDF Specific Objective 1.1: Research Capacity

Section A - Indicators in scope for this review relating to the Specific Objective:

- Amount of research funding secured
- Number of new researchers in supported entities

Section B - Programme Commitments:

- **Indicative funding** is at 115% committed in WWV and 92% committed in EW.
- **Amount of research funding** indicator is fully committed
- **Number of new researchers in supported entities** is fully committed for WWV, but only 68% committed in East Wales

Section C - Project Output and Outcome Delivery:

- **Number of new researchers in supported entities** has achieved 82% of outputs against its profiled achievement to date in WWV (48% of overall target). In East Wales it has hit profile to date, however only achieved 39% of overall target.
- **Amount of research funding** secured is on or ahead of profile target to date and has completed over half of total programme target in both regions.

Section D - Original Assumptions for Target Setting:

- Targets based on the following 2007-2013 projects: Institute For Life Sciences 2; Centre For Nanohealth; Low Carbon Research Institute
- 'Amount of research funding secured' based on estimates produced by Swansea University on likely increase in research funding as a result of funding the Engineering Manufacturing Centre and the Innovation Hub.

## ERDF Specific Objective 1.2: Commercialisation

Section A - Indicators in scope for this review relating to the Specific Objective:

- Number of enterprises receiving grants
- Number of enterprises receiving non-financial support
- Number of new enterprises supported
- Private investment matching public support in innovation or R&D projects
- Number of enterprises supported to introduce new to the market products
- Employment increase in supported enterprises
- Number of patents registered for products
- Enterprises adopting or improving:
  - equality and diversity strategies and monitoring systems
  - sustainable development strategies and monitoring systems

Section B - Programme Commitments:

- **Indicative funding** is at 99% committed in WWV and 101% committed in EW
- **Enterprises receiving grants** is 94% committed in both regions
- **Enterprises receiving non-financial support** is fully committed in EW, but only 76% in WWV
- **New enterprises supported** is fully committed in both regions
- **Private investment** is fully committed in both regions
- **Enterprises supported to introduce new to market products** is 95% committed in WWV but only 65% in EW
- **Employment increase** is only 73% committed in WWV and 50% in EW.
- **Patents registered** is only 61% committed in WWV and 41% in EW
- **Enterprises adopting E&D / SD strategies** are both at 2% committed in WWV and 0% in EW.

Section C - Project Output and Outcome Delivery:

- All targets are behind profile, ranging from 0-80% of profiled targets by this date having been achieved.

Section D - Original Assumptions for Target Setting

- Targets based on the following 2007-2013 projects: R D and I Financial Support for Business; Advanced Sustainable Manufacturing Technologies; Wales Centre for Behaviour Change; Knowledge Transfer And Collaborative Industrial Research; Business Innovation Support; Knowledge Exploitation Capacity Development; High Performance Computing Wales; SEACAMS; BEACON; and SEREN.
- 'Enterprises adopting or improving their equality strategies' and 'Enterprises adopting or improving their environmental sustainability strategies' set at 20% of enterprises receiving support in both cases

## ERDF Specific Objective 2.1: Access to Finance

Section A - Indicators in scope for this review relating to the Specific Objective:

- Number of enterprises receiving financial support other than grants
- Employment increase in supported enterprises
- Enterprises adopting or improving:
  - sustainable development strategies and monitoring systems
  - equality and diversity strategies and monitoring systems
- Jobs safeguarded (not captured in data currently)

Section B - Programme Commitments:

- **Indicative funding** is at 136% committed in WWV and 162% committed in EW.
- **Number of enterprises receiving financial support other than grants** is fully committed in WWV (161%) and EW (198%)
- **Employment increase in supported enterprises** is committed 60% in WWV and 76% in EW
- **Sustainable development strategies and monitoring systems** is 0% committed in both WWV and EW
- **Equality and diversity strategies and monitoring systems** is 0% committed in both WWV and EW

Section C - Project Output and Outcome Delivery:

- **Number of enterprises receiving financial support other than grants** – profile target to date has been fully achieved in WWV and 97% achieved in EW
- **Employment increase in supported enterprises** – profile target to date is 98% achieved in WWV and 97% achieved in EW
- **Sustainable development strategies and monitoring systems** both WWV and EW have achieved 0% of profile to date
- **Equality and diversity strategies and monitoring systems** both WWV and EW have achieved 0% of profile to date

Section D - Original Assumptions for Target Setting

- The targets for the indicators under SO2.1 are primarily based on the following 2007-2013 projects: JEREMIE Fund (Priority 2 ERDF Convergence); New Business Start Up Support.
- Targets for the demographic groups: 'Female individuals'; 'BME individuals'; and 'Disabled individuals' are based on National Statistics of the current population shares in order to provide aspirational targets.
- 'Enterprises adopting or improving their equality strategies' and 'Enterprises adopting or improving their environmental sustainability strategies', set at 50% of enterprises receiving support in both cases.

## ERDF Specific Objective 2.2: Start-ups

Section A - Indicators in scope for this review relating to the Specific Objective:

- Number of new enterprises supported
- Employment increase in supported enterprises
- Enterprises adopting or improving:
  - sustainable development strategies and monitoring systems
  - equality and diversity strategies and monitoring systems

Section B - Programme Commitments:

- **Indicative funding** is at 130% committed in WWV and 66% committed in EW.
- **Number of new enterprises supported** is 75% committed in WWV and 83% committed in EW
- **Employment increase in supported enterprises** is committed 68% in WWV and 75% in EW
- **Sustainable development strategies and monitoring systems** is 25% committed WWV and 34% in EW
- **Equality and diversity strategies and monitoring systems** is 23% committed in WWV and 20% in EW

Section C - Project Output and Outcome Delivery:

All targets have achieved 100% or more of their profiled delivery to date.

Section D - Original Assumptions for Target Setting:

- The targets for the indicators under SO2.2 are primarily based on the following 2007-2013 projects:
  - JEREMIE Fund (Priority 2 ERDF Convergence);
  - New Business Start Up Support.
- Targets for the demographic groups: 'Female individuals'; 'BME individuals'; and 'Disabled individuals' are based on National Statistics of the current population shares in order to provide aspirational targets.
- 'Enterprises adopting or improving their equality strategies' and 'Enterprises adopting or improving their environmental sustainability strategies', set at 50% of enterprises receiving support in both cases.

## **ERDF Specific Objective 2.3: ICT take-up and Exploitation**

Section A - Indicators in scope for this review relating to the Specific Objective:

- Number of enterprises receiving non-financial support

Section B - Programme Commitments:

- **Indicative funding** is at 124% committed in WWV and 94% committed in EW.
- **Number of enterprises receiving non-financial support** has been fully committed in WWV (121%) and in EW (140%)

Section C - Project Output and Outcome Delivery:

- **Number of enterprises receiving non-financial support** – profile target to date has been fully achieved in both WWV (110%) and EW (153%)

Section D - Original Assumptions for Target Setting:

- The targets for the indicators under SO2.3 are primarily based on the following 2007-2013 projects: Customer Engagement; Export Assist; eBusiness And ICT Support; and Communities Investment Fund.
- A policy based approach was adopted for setting the targets for 'Number of enterprises receiving grants' and 'Number of enterprises receiving financial support other than grants'. This revolved around aggregating targets for three elements of support expected under this Investment Priority, noting that most support for each area would be expected to be non-financial in any case.

## ERDF Specific Objective 2.4: Employment Growth in SMEs

Section A - Indicators in scope for this review relating to the Specific Objective:

- Number of enterprises receiving financial support other than grants
- Number of enterprises receiving non-financial support
- Private investment matching public support to SMEs – Grants
- Enterprises adopting or improving:
  - sustainable development strategies and monitoring systems
  - equality and diversity strategies and monitoring systems

Section B - Programme Commitments:

- **Indicative funding** is at 116% committed in WWV and 126% committed in EW.
- **Number of enterprises receiving financial support other than grants** is 0% committed in both WWV and EW
- **Number of enterprises receiving non-financial support** is committed at 79% in WWV and 56% in EW
- **Private investment matching public support to SMEs – Grants** is committed 17% in WWV and 33% in EW
- **Sustainable development strategies and monitoring systems** is committed at 42% in WWV and 30% in EW
- **Equality and diversity strategies and monitoring systems** is committed at 45% in WWV and 31% in EW

Section C - Project Output and Outcome Delivery:

- **Number of enterprises receiving financial support other than grants** - both WWV and EW have achieved 0% of profile to date
- **Number of enterprises receiving non-financial support** – both WWV and EW have fully achieved this profile to date target
- **Private investment matching public support to SMEs – Grants**- both WWV and EW have achieved 0% of profile to date
- **Sustainable development strategies and monitoring systems** – both WWV and EW have fully achieved this profile to date target
- **Equality and diversity strategies and monitoring systems** – both WWV and EW have fully achieved this profile to date target

Section D - Original Assumptions for Target Setting:

- The targets for the indicators under SO2.4 are primarily based on the following 2007-2013 projects: Customer Engagement; Export Assist; eBusiness And ICT Support; and Communities Investment Fund.

- A policy-based approach was adopted for setting the targets for 'Number of enterprises receiving grants' and 'Number of enterprises receiving financial support other than grants.' This revolved around aggregating targets for three elements of support expected under this Investment Priority, noting that most support for each area would be expected to be non-financial in any case:
- For targets relating to growth (e.g. entry into new markets) a proportional split of 90:10 was made in favour of 'Number of enterprises receiving financial support other than grants', with the expectation that economically important and growth businesses would require less grant support (which would only be available in exceptional circumstances).
- For targets relating to Social Enterprises a split of roughly 60:40 has been used in favour of 'Number of enterprises receiving financial support other than grants.' This is based on experience in the 2007-2013 programmes.
- 'Enterprises adopting or improving their equality strategies' and 'Enterprises adopting or improving their environmental sustainability strategies', set at 50% of enterprises receiving support in both cases

## ERDF Specific Objective 2.5: Risk Capital Finance

Section A - Indicators in scope for this review relating to the Specific Objective:

- Number of enterprises receiving financial support other than grants
- Jobs safeguarded (data not currently captured)
- Enterprises adopting or improving:
  - sustainable development strategies and monitoring systems
  - equality and diversity strategies and monitoring systems

Section B - Programme Commitments:

- **Indicative funding** is at 80% committed in WWV and 143% committed in EW.
- **Number of enterprises receiving financial support other than grants** is committed at 50% in WWV and 236% in EW
- **Sustainable development strategies and monitoring systems** has not been committed at all in either WWV or EW
- **Equality and diversity strategies and monitoring systems** has not been committed at all in either WWV or EW

Section C - Project Output and Outcome Delivery:

- **Number of enterprises receiving financial support other than grants** - profile to date target has been fully achieved in both WWV and EW
- **Sustainable development strategies and monitoring systems** - profile to date target has not been achieved in either WWV or EW (0% in both areas)
- **Equality and diversity strategies and monitoring systems** profile to date target has not been achieved in either WWV or EW (0% in both areas).

Section D - Original Assumptions for Target Setting:

- The targets for the indicators under SO2.5 are primarily based on the following 2007-2013 projects: R D and I Financial Support for Business; Advanced Sustainable Manufacturing Technologies; Wales Centre for Behaviour Change; Knowledge Transfer And Collaborative Industrial Research; Business Innovation Support; Knowledge Exploitation Capacity Development; High Performance Computing Wales; SEACAMS; BEACON; and SEREN.
- 'Enterprises adopting or improving their equality strategies' and 'Enterprises adopting or improving their environmental sustainability strategies', set at 20% of enterprises receiving support in both cases

### ERDF Specific Objective 3.1: Marine Energy (WWV only)

Section A - Indicators in scope for this review relating to the Specific Objective:

- Number of renewable energy prototypes tested
- Energy support site preparation schemes

Section B - Programme Commitments:

- **Indicative funding** is at 82% committed
- **Number of renewable energy prototypes tested** is 88% committed
- **Energy support site preparation schemes** is 300% committed

Section C - Project Output and Outcome Delivery:

- **Number of renewable energy prototypes tested** - profile to date target has been 75% achieved
- **Energy support site preparation schemes** - profile to date target has been 50% achieved

Section D - Original Assumptions for Target Setting:

- The targets for 'Energy support site preparation schemes'; and 'Number of renewable energy prototypes tested' are all also based on activity currently envisaged for future funding.

## ERDF Specific Objective 3.2: Community Energy (SO3.1 for EW)

Section A - Indicators in scope for this review relating to the Specific Objective:

- Number of pilot projects completed
- Community energy schemes

Section B - Programme Commitments:

- **Indicative funding** is at 106% committed in WWV and 0% committed in EW.
- **Number of pilot projects completed** has been committed 325% in WWV and 0% in EW
- **Community energy schemes** has been committed 367% in WWV and 0% in EW

Section C - Project Output and Outcome Delivery:

- **Number of pilot projects completed** - profile to date target hasn't been achieved in WWV or EW (0%)
- **Community energy schemes** - profile to date target hasn't been achieved in WWV or EW (0%)

Section D - Original Assumptions for Target Setting:

- The targets for the indicators related to small scale / community renewable energy schemes under SO3.2 are primarily based on the Ynnir Fro 2007-2013 project.
- The targets for 'Number of pilot projects completed'; and 'Community energy schemes' are all also based on activity currently envisaged for future funding.

### **ERDF Specific Objective 3.3: Energy Efficiency in Housing (SO3.2 in EW)**

Section A - Indicators in scope for this review relating to the Specific Objective:

- Number of households with improved energy consumption classification

Section B - Programme Commitments:

- **Indicative funding** is at 69% committed in WWV and 87% committed in EW.
- **Number of households with improved energy consumption classification** is committed at 61% in WWV and 100% in EW

Section C - Project Output and Outcome Delivery:

- **Number of households with improved energy consumption classification** - profile to date target has been achieved in both WWV and EW

Section D - Original Assumptions for Target Setting

- The targets for the indicators under this Investment Priority are primarily based on the Arbed Phase 2 2007-2013 project.

## **ERDF Specific Objective 4.2: Public Transport (SO4.1 in EW)**

Section A - Indicators in scope for this review relating to the Specific Objective:

- Total length of reconstructed or upgraded railway line (including TEN-T)

Section B - Programme Commitments:

- **Indicative funding** is at 98% committed in WWV and 97% committed in EW.
- **Total length of reconstructed or upgraded railway line (including TEN-T)** has been fully committed in WWV and 36% in EW

Section C - Project Output and Outcome Delivery:

- **Total length of reconstructed or upgraded railway line (including TEN-T)** - profile to date target has not been achieved in either WWV or EW (0% in both)

Section D - Original Assumptions for Target Setting

- The indicator target is based on activity currently envisaged for future funding.

## ERDF Specific Objective 4.4: Strategic Sites – WWV only

Section A - Indicators in scope for this review relating to the Specific Objective:

- Land developed
- Premises created or refurbished
- Jobs accommodated
- SMEs accommodated

Section B - Programme Commitments:

- **Indicative funding** is at 55% committed
- All targets are fully committed (ranging from 118% to 226% committed)

Section C - Project Output and Outcome Delivery:

- **Land developed** - profile to date target has been 3% achieved
- **Premises created or refurbished** - profile to date target has been 7% achieved
- **Jobs accommodated** - profile to date target has been 4% achieved
- **SMEs accommodated** - profile to date target has been 15% achieved

Section D - Original Assumptions for Target Setting:

The targets for the indicators under this Investment Priority are primarily based on the following 2007-2013 projects: the JESSICA Fund; Ebbw Vale Innovation Centre Phase 2; Parc Busnes Treorci; South West Wales Property Development Fund; Strategic Employment Sites Infrastructure Fund; Felindre Strategic Business Park; Ebbw Vale Town Centre Regeneration; Abertillery Town Centre Regeneration; Newbridge Regeneration Programme; Bargoed Regeneration Programme; Pontypridd Town Centre Regeneration; Haven Towns Regeneration Phase 2 - Pembroke and Pembroke Dock; Merthyr Tydfil Town Centre Regeneration Programme; Physical Regeneration of Aberdare; Blaenau Gwent Learning Zone; and Nantgarw 3.

## Topic Guide B: Project Deliverer

# ERDF and ESF Indicator Review Study – Project Lead Consultation Topic Guide

## Questions

### Introduction

1. Could you start by giving an overview of what the project is delivering and your role in this.
2. Overall, to what extent is this project on track with delivery against its output and outcome indicators?
  - a. Which indicators, if any, are behind target?
  - b. Have you needed to renegotiate targets, or will you need to do so?
  - c. For any that are behind target, to what extent do you believe you will be able to catch-up on achievement against these?
3. To what extent has there been disruption to project delivery, relating to COVID-19 or other factors, and what has the effect of this been e.g:
  - a. Made some activities no longer possible?
  - b. Slowed down delivery?
  - c. Led to higher costs for activities?
  - d. Other effects (if so, please state)?
4. To what extent has there been lower demand than expected for the activities delivered by the project, from potential beneficiaries, and if so, is this related to:
  - a. Economic climate?
  - b. Changes made to project delivery e.g. moving to online delivery?
  - c. Changes to the wider market offer e.g. competitor projects?
  - d. Other factors (if so, please state)?
5. Have changes in socio-economic conditions affected what beneficiaries do, or opportunities available after receiving support through this project?
  - a. To what extent has this affected outcome target achievement?
  - b. Is outcome achievement lower overall, or are outcomes just taking longer to materialise?
6. Are there issues with how any of the indicators are defined?
  - a. Are any of the indicators less relevant now for this project?
  - b. Have there been any issues with collecting the required evidence for output or outcome indicators under this project?
7. Does the rationale for the scale of these targets still hold?

- a. Have any deliverables proved more costly to deliver than originally anticipated, leading to under-achievement?
  - b. Has the translation from outputs to outcomes been weaker than expected due to wider socio-economic conditions?
8. Are there any other factors not covered here which you believe are relevant in understanding any risks of under-performance against the project's indicator targets?
9. Do you believe there are future factors over the next two years, not already discussed, which could affect performance of the indicators under this project?
- a. If so, please outline what these are and how you think they might affect future delivery and achievements

## Topic Guide C: Regional Engagement Team

### ERDF and ESF Indicator Review Study – RET Consultation Topic Guide

#### Questions

#### Introduction

1. Could you start by giving an overview of your role with the European Structural and Investment (ESI) Fund Programmes and how long you have been working in this area.
2. Across the different Specific Objective areas of the programme, do you feel there have been any changes in policy / strategy since the outset of the programme which have altered the type of projects partners are seeking funding for, or affected commitment levels in that area?
  - a. In answering please state which Specific Objective areas of the ERDF, ESF or ETC programme your answers refer to (full list at the end of the topic guide).
3. Are there certain project types where there were no or fewer than expected funding applications, that has led to under-commitment in any of the Specific Objective areas?
4. To what extent has there been disruption to project delivery, relating to COVID-19 or other factors, and what has the effect of this been in terms of timings, costs or feasibility of delivery?
  - a. In answering please state which Specific Objective areas of the ERDF, ESF or ETC programme your answers refer to (full list at the end of the topic guide).
5. To what extent has there been lower demand than expected for the activities provided by funded projects, from potential beneficiaries?
  - a. If so, in which Specific Objective areas?
  - b. What do you believe were the factors addressing this, such as:
    - i. economic climate
    - ii. changes made to project delivery e.g. moving to online delivery
    - iii. changes to the wider market offer e.g. competitor projects
6. Are there issues with how any of the programme indicators are defined?
  - a. Are any indicators less relevant now for the Specific Objectives they are linked to?
  - b. Have there been any issues with projects collecting the required evidence for output or outcome indicators that you are aware of?

7. Are there any other factors which you believe are relevant in understanding any risks of under-performance against indicator targets across any of the ESI Fund programmes?
8. Do you believe there are future factors over the next two years, not already discussed, which could affect performance of the indicators under the ESI Fund programmes?
  - a. If so, please outline what these are and how you think they might affect future delivery and achievements

### Summary of Specific Objectives in Scope for this Study

(Note: Numbering refers to the West Wales and the Valleys Programmes. Numbering for the East Wales Programmes are slightly different)

<p><b>ERDF</b></p> <ul style="list-style-type: none"> <li>• 1.1 – Research Capacity</li> <li>• 1.2 – Commercialisation</li> <li>• 2.1 – Access to Finance</li> <li>• 2.2 – Start-ups</li> <li>• 2.3 – ICT Take-up and Exploitation</li> <li>• 2.4 – Employment Growth in SMEs</li> <li>• 2.5 – Risk Capital Finance</li> <li>• 3.1 – Marine Energy</li> <li>• 3.2 – Community Energy</li> <li>• 3.3 – Energy Efficiency in Housing</li> <li>• 4.2 – Public Transport</li> <li>• 4.4 – Strategic Sites</li> </ul>	<p><b>ESF</b></p> <ul style="list-style-type: none"> <li>• 1.1 – Helping People into Work</li> <li>• 1.2 Inclusion and Engagement in Labour Market</li> <li>• 1.3 – Helping People Stay in Work</li> <li>• 2.1 – Basic Skills</li> <li>• 2.2 – Adaptability and Progression</li> <li>• 2.3 – Research and Innovation</li> <li>• 3.1 – Youth Unemployment</li> <li>• 3.2 – Youth Attainment and Engagement</li> <li>• 3.3 – STEM</li> <li>• 3.4 – Early Years</li> <li>• 5 – Collaboration and Innovation in Public Services</li> </ul>
<p><b>ETC</b></p> <ul style="list-style-type: none"> <li>• 1 – Increase Intensity of Knowledge Transfer Collaborations</li> <li>• 3 – Realise Potential of Natural and Cultural Assets in Increasing Visitor Numbers</li> </ul>	