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Ex-ante Evaluation of the European Social Fund West Wales and the Valleys Operational Programme 2014-2020

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EX-ANTE EVALUATION OF THE EUROPEAN SOCIAL FUND WEST WALES AND THE VALLEYS OPERATIONAL PROGRAMME 2014 – 2020

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Glossary of Terms

EAFRD	European Agricultural Fund for Rural Development
EIA	Equality Impact Assessment.
EMFF	European Maritime and Fisheries Fund
EPPF	European Policy Partnership Forum
ERDF	European Regional Development Fund.
ESF	European Social Fund
ESI	European Structural and Investment
EU	The European Union
EU2020	Europe 2020
EW	East Wales
GVA	Gross Value Added
ITIs	Integrated Territorial Investments
JAPs	Joint Action Plans
OP	Operational Programme
PMC	All-Wales Programme Monitoring Committee
PPIMS	Programme and Project Information Management System
PSED	Public Sector Equality Duty
R&D	Research and Development
RME	Research, Monitoring and Evaluation
SEA	Strategic Environmental Assessment.
SMART	Specific, Measurable, Realistic and Time-bound
SMEs	Small and Medium Sized Enterprises
SO	Specific Objective
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TO	Thematic Objective
UKCES	UK Commission on Employment and Skills

UKCSRs	UK Country-Specific Recommendations
WEFO	The Welsh European Funding Office.
WGSB	Welsh Government Sponsored Body
WWV	West Wales and the Valleys

Executive Summary

This report provides an account of the ex-ante evaluation of the European Social Fund (ESF) Operational Programme (OP) for West Wales and the Valleys (WWV) for the period 2014 – 2020. The evaluation was commissioned in August 2012.

Ex-ante evaluations are required by European legislation as part of the process of developing OPs which provide the basis for the utilisation of European Structural and Investment (ESI) Funds. The evaluation is intended to provide assurance that the Programme

- Contributes appropriately to the EU's 2020 strategy;
- Is internally coherent and also fits with other relevant policies and programmes at EU, UK and Welsh Government level;
- Allocates funding appropriately to different interventions which address identified needs and sets out appropriate indicators and targets to measure the success of these interventions;
- Can be delivered effectively (in other words, that there is adequate administrative capacity and suitable monitoring and evaluation plans in place) and in a way that reduces administrative burden on those delivering projects;
- Puts in place suitable measures to promote equal opportunities, to prevent discrimination and to promote sustainable development;
- Meets the requirement of the Strategic Environmental Assessment (SEA) Directive.

Ex-ante assessments are *iterative*, in other words, they are intended to inform the OP as it is developed rather than simply being a critique of a final document. As such, the report is primarily an account of a process which has taken place over the last 18 months and a discussion of the relatively few remaining areas where the evaluation team and the Welsh European Funding Office (WEFO) have differing views.

The ex-ante evaluation process has been thorough as well as highly iterative. The drafting team has taken care both to address methodically and, where possible, respond to the wide range of issues flagged up by the evaluators.

Overall, we believe that the OP as now drafted:

- Is based on a very sound and thorough socio-economic analysis and uses the evidence base appropriately;
- Is internally coherent in terms of the flow from the socio-economic analysis to the Programme strategy and the Priority Axes, is consistent with other relevant policies and programmes and is based on a sound and explicit Intervention Logic;
- Is consistent with the EU 2020 Strategy, the Common Strategic Framework and the Country Specific Recommendations for the UK, and will make a proportionate contribution to the EU2020 targets on the employment rate, young people and poverty;
- Uses appropriate indicators and has adopted a logical approach to the setting of targets and the performance framework;
- Has appropriate monitoring and evaluation processes in place;
- Is based on a justifiable allocation of budgetary resources;
- Is based on sound partnership working and builds on previous strengths in terms of programme management but is set in the context of efforts to improve implementation processes which have been perceived as problematic in the past;
- Is based on appropriate involvement of, and consultation with, individuals and bodies with expertise within the Horizontal Themes and has particular strengths in its approach to equal opportunities.

While generally endorsing the OP, there remain a small number of areas where we believe there is a case for further reflection:

- There may be scope for greater targeting and a still narrower focus on those parts of the labour market where employment and qualification outcomes are least likely to occur without intervention, in particular the

long-term unemployed and inactive, low-skilled and part-time employees and employees of the smallest businesses;

- There may be greater scope to ensure that interventions funded under the OP address and do not perpetuate market failure, in terms of employers' unwillingness to pay for training;
- We have some concerns that the issue of in-work poverty is not fully addressed, though we accept that in large part this is due to the difficulty of using ESF to address issues such as low pay and zero hours contracts;
- We have some concerns that a strong focus on intermediate level skills in terms of interventions targeting those already in employment might risk underplaying the importance of working with those with no or only very low level qualifications who may, in the short term at least, be unable to progress to intermediate level qualifications;
- While recognising the difficulty in the case of an ESF Programme of making specific, relevant commitments on sustainable development, we are concerned that the section of the OP as now drafted is rather high-level;
- Finally, in many instances success is clearly dependent on the details of Programme implementation. In particular,
 - While the OP states clearly the intention to ensure integration with other ESI Funds, much will depend on the implementation mechanisms put in place;
 - Achieving the targets set in respect of hard to reach groups will require a significant effort in terms of Programme and project implementation.

However, we accept that all these issues have been well rehearsed during the course of the evaluation and respect the counter-arguments that have been put forward. In our view, such remaining differences of view are legitimate and in no way undermine the quality of the work undertaken in developing the OP.

1.0 Introduction

1.1 Objectives of the Ex-ante Evaluation and of this Report

Old Bell 3 Ltd., working in association with Regeneris Consulting, Bangor and Cardiff Universities, Wavehill Consulting and Mott MacDonald, was commissioned by the Welsh European Funding Office (WEFO)¹ in August 2012 to undertake the ex-ante evaluations of the Welsh European Structural and Investment (ESI) Fund Programmes to be developed for the 2014 – 2020 period. The ESI Funds comprise the European Social Fund (ESF), the European Regional Development Fund (ERDF), the European Agricultural Fund for Rural Development (EAFRD), the European Maritime and Fisheries Fund (EMFF) and the Cohesion Fund.

This report concerns the ex-ante evaluation of the ESF Operational Programme (OP) for West Wales and the Valleys (WWV).

An ex-ante evaluation is required by European legislation as part of the process of developing Operational Programmes which provide the basis for the utilisation of ESI Funds. The formal requirements for ex-ante evaluation are laid down in Article 55 of the Common Provisions Regulation² which, in summary, requires such evaluations to appraise:

- (a) the contribution of the OP to the EU's 2020 strategy for smart, sustainable and inclusive growth;
- (b) the internal coherence of the OP and its relation with other relevant policies and programmes;

¹ A part of the Welsh Government which is also the Managing Authority for the ERDF and ESF in Wales.

² Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006

- (c) the consistency of the allocation of budgetary resources with the objectives of the programme;
- (d) the consistency of the interventions envisaged with the EU's Common Strategic Framework for the ESI Funds and the Partnership Agreement between the UK and the EU³;
- (e) the relevance and clarity of indicators proposed to measure outputs and results;
- (f) how the expected outputs will contribute to results;
- (g) whether the target values for indicators are realistic;
- (h) the rationale for the form of support proposed;
- (i) the adequacy of human resources and administrative capacity for management of the Programme;
- (j) the suitability of the procedures for monitoring and evaluating the Programme;
- (k) the suitability of the milestones selected for the performance framework;
- (l) the adequacy of planned measures to promote equal opportunities between men and women and to prevent discrimination;
- (m) the adequacy of planned measures to promote sustainable development.
- (n) the adequacy of measures planned to reduce the administrative burden of beneficiaries.

The Regulation also requires the ex-ante evaluation to incorporate the requirements for the Strategic Environmental Assessment (SEA) Directive⁴, which requires the assessment of such plans and programmes on the environment.

³ A document setting out the overall strategy for the use of the Funds in the UK, which is being developed in parallel with the Operational Programmes in Wales and elsewhere in the UK and which is also required by European legislation

⁴ Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001

However, ex-ante assessments are *iterative*, in other words, they are intended to inform the OP as it is developed rather than simply being a critique of a final document. This is stated clearly in the Guidance Document on Ex-ante Evaluation prepared by the European Commission⁵:

'It is good practice that the ex-ante evaluators work in close interaction with the authority responsible for the preparation of the programme. They should undertake work in stages, depending on when elements of the programme are available and give their feedback to the programmers....'

As different elements of the evaluation are completed, they may cause programme planners to re-visit earlier stages. For example, this might lead to a reconsideration of the policy mix and a revision of the strategy, or to a new analysis of the external coherence once the Partnership Contract is finalised⁶.

In the case of the current ex-ante evaluation, the evaluation team have been given the opportunity to comment on the OP over more than a year as it has been developed, and in particular have undertaken no less than three separate iterations, providing detailed comments on each occasion, on the main elements of the Programme. Our comments have generally been given serious consideration and in many cases led to significant changes of approach, which have now been reflected in the OP which is ready for submission to the European Commission.

This report is therefore primarily an account of the process followed, the main issues raised at different stages, and how they have been responded to, and a discussion of the relatively few remaining areas where the evaluation team and WEFO have differing views. While the evaluation process has involved

⁵ The Programming Period 2014 – 2020: Monitoring and Evaluation of European Cohesion Policy: ERDF, ESF, Cohesion Fund: Guidance Document on Ex-ante Evaluation, European Commission, 2013

⁶ Ibid., p. 19

the appraisal of all those elements required by Art. 55, the report itself is not intended as a comprehensive appraisal of these issues.

1.2 Approach and Methodology

The main elements of the work undertaken by the team have been:

- An initial inception meeting with the Research, Monitoring and Evaluation (RME) team within WEFO and the production of an Inception Report (September 2012);
- An initial review and appraisal of the socio-economic analysis by an expert regional and labour market economist (September 2012);
- The production of a series of synthesis papers (literature reviews) relating to the Priority Axes⁷ being considered by the Welsh Government for inclusion in the Programmes which were shared with the drafting teams to inform consideration of the evidence base (October 2012). Each paper considered the policy context (including the relevance to Europe 2020 strategy and targets, as well as current UK and Welsh Government policy frameworks), evidence relating to current challenges in Wales in general and WWV more specifically, and evaluation evidence on ‘what works’ in terms of tackling these challenges, drawing both on evaluations specifically related to the Welsh context (including previous and current Structural Fund Programmes) and the wider literature;
- Detailed scrutiny of a series of Priority Papers (on the Priority Axes and on the Cross-Cutting Themes) and a paper on Programme Strategy used as the basis for the consultation with a particular focus on the extent to which they were compatible with the Europe 2020 policy framework, with the issues flagged up in the socio-economic analysis, and with the emerging ESI Funds Regulations and guidance, particularly with regard to thematic concentration⁸ (November 2012);

⁷ See Section 2 below

⁸ The Common Provisions Regulations and the ESF Regulation lay down a series of Thematic Objectives and Investment Priorities which may be the focus of interventions within OP and require (CPR Art. 18) Member-states to ‘concentrate support, in accordance with the Fund-specific rules, on interventions bringing the greatest added value in relation to the Union strategy for smart, sustainable and inclusive growth...’”

- Attending meetings of the European Policy Partnership Forum (EPPF) and its workstreams and the Policy Group⁹, undertaking consultations with members of these groups and meeting with those directly involved in drafting the OP (autumn 2012);
- Undertaking a Screening Report in accordance with the SEA Directive, which concluded (with the agreement of the appropriate Statutory Bodies¹⁰) that a full Environmental Report was not required (December 2012);
- Developing a draft Equality Impact Assessment (EIA) (jointly with the ESF OP for East Wales) for the Programme as described in the Consultation document issued by WEFO¹¹ as the basis for public consultation (February 2013);
- Participating in a series of consultation events held across Wales (Spring 2013);
- Undertaking an analysis of the responses received to the consultation on the draft Programmes and on the draft EIA¹²;
- Undertaking a Stage 1 (Screening) (January 2013) and Stage 2 (June 2013) Assessment of the case for using Financial Instruments (FI): this concluded that there was little scope for using FIs in the context of the ESF Programmes, with the possible exception of support for business start-ups, which it was felt could be better delivered through the ERDF OP;
- Receiving and commenting on an initial set of Intervention Logic tables, and proposals on financial allocations (August 2013);
- Receiving an account of action taken in response to our earlier comments and undertaking a full second iteration review of a draft

⁹ The EPPF is an external stakeholder group established by the Welsh Government to inform the development of the new Programmes and the Policy Group an internal (to Welsh Government) group of senior officials convened to input into this process. See Section 7 of the OP.

¹⁰ See Section 10

¹¹ Consultation on European Structural Funds Programmes for West Wales and the Valleys 2014 – 2020, 14 January 2013

http://wales.gov.uk/consultations/businessandeconomy/130114walesandtheeu/?lang=en&utm_source=130114&utm_medium=wefowebiste&utm_campaign=consultation_en

¹² <http://wefo.wales.gov.uk/news/latest/130115consultation/?lang=en>

socio-economic analysis review and the OP in the template format required by the Commission (August 2013);

- Receiving a revised draft of the OP after its consideration by Welsh Government Ministers and incorporating changes made in response to our previous comments, and providing a full third and final review of the draft (October 2013);
- Receiving a draft of the Welsh Chapter of the Partnership Agreement and commenting on this (October 2013);
- Preparing a final EIA on the basis of the final version of the OP (October 2013);
- Drafting this report (October 2013); and
- Finalising the report, including considering further changes made to the draft OP after the final full iteration in the light of our comments and the final text of the regulations.

Where comments were provided on documents originated by WEFO, this was done using the Comments tool in Microsoft Word on the face of the document: all comments were also reproduced in a comments log (example provided at Annex 1) with a brief summary of the main concerns highlighted: this also enabled the drafting team to explain how they had responded on each point, thus providing a comprehensive audit trail. In total the team made some 576¹³ comments on the first iteration, 407¹⁴ comments on the second iteration and 285 comments on the third iteration.

The process has been extremely thorough and has been grounded on excellent co-operation between the ex-ante evaluation team and key officials in WEFO. However, in order to meet the earliest possible submission deadline for the OPs, we provided final comments and presented our overall assessment at a somewhat earlier stage than we would ideally have wished,

¹³ Of which 113 were on the socio-economic analysis which covered both ERDF and ESF and 180 were on other corporate papers (indicators, programme strategy and cross-cutting themes) which also covered both ERDF and ESF.

¹⁴ This included 84 comments on the socio-economic analysis which covered both ERDF and ESF.

before the final Regulations had been agreed. In light of this we have continued to make further changes to the reports since the publication of final Commission texts and are content that the formalisation of the Regulations does not alter our comments.

1.3 Structure of the report

In the remainder of this report, after briefly presenting (in Section 2) an overview of the OP as it now stands (after our three iterations) we report on our appraisal of:

- the socio-economic analysis and the evidence base underpinning the OP (Section 3);
- the Programme Strategy, the extent to which it flows from the socio-economic analysis and its ‘fit’ with Europe 2020 and the Common Strategic Framework, the requirement for thematic concentration and with the UK Partnership Agreement (Section 4);
- the three Priority Axes, including their internal coherence – with each other and with the Programme Strategy – their external coherence with UK and Welsh Government policy, and their consistency with the evidence base (Section 5);
- the indicators and targets proposed, including the performance framework (Section 6);
- the financial allocations proposed (Section 7);
- the evidence on administrative capacity and monitoring and evaluation plans (Section 8);
- the extent to which the horizontal principle (or Cross-Cutting Theme) of equal opportunities has been taken into account in preparing the OP including a summary of the findings of the EIA (Section 9);
- the extent to which the horizontal principle (or Cross-Cutting Theme) of sustainable development has been taken into account in preparing the OP and the potential environmental impact of the OP (Section 10).

Finally in Section 11, we present a brief conclusion on the process and on the suitability of the OP as it now stands.

2.0 The Operational Programme

As noted in Section 1, Operational Programmes are the formal documents through which a Member State sets out its proposals for using part or all of the ESI Funds within its territory. Once agreed with the European Commission, they form the legal basis on which money is drawn down from the EU. The EU's requirements in terms of the content of Operational Programmes are laid down in legislation, and for the 2014 – 2020 Programmes, the European Commission has provided a template with strict word limits¹⁵.

All interventions supported by the ESI Funds must relate to one of the 11 Thematic Objectives established by legislation¹⁶ and to one of the Investment Priorities which are sub-divisions of the Thematic Objectives¹⁷. The Operational Programmes must consist of one or more Priority Axes, which (with the exception of Technical Assistance) should comprise one or more Investment Priorities: where a Priority Axis includes several Investment Priorities, the OP must set out a separate financial allocation and a separate set of output and results indicators for each. Each Priority Axis should also consist of one or more Specific Objectives which express the policy intention of the interventions they will fund.

The Priority Axes and the Specific Objectives for the WWV ESF OP are set out in Table 2.1, showing the relationship with the Thematic Objectives and the Investment Priorities set out in the legislation and the proposed financial allocation in terms of ESF funding.

The remainder of this report relates closely to the content of the OP and should be read in conjunction with that document.

¹⁵ Draft Template and Guidelines for the Content of Operational Programmes, version 3, European Commission 2013

¹⁶ Common Provisions Regulation, Art. 9

¹⁷ Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006ESF Regulation, Art. 3 sets out 19 Investment Priorities relevant to ESF.

Table 2.1 Priority Axes of the ESF WWV OP

Priority Axis and Specific Objectives (SO)	Thematic Objective	Investment Priority	ESF funding €m.
1 Tackling Poverty Through Sustainable Employment <p>SO 1: To enhance labour market mobility of those who are unemployed and work ready and at most risk of poverty, disadvantage or exclusion</p> <p>SO 2: To promote the labour market integration and enhance the employability of the long term unemployed and economically inactive.</p> <p>SO3: To safeguard and increase the labour market participation of those with work limiting health conditions and/or other barriers to effective engagement.</p>	TO 9: Promoting Social Inclusion, Combating Poverty and Any Discrimination	Active Inclusion, including with a view to promoting equal opportunities and active participation, and improving employability	184.9
2 Skills for Growth <p>SO1: To increase the proportion of the employed workforce with intermediate level skills or above</p> <p>SO2: To increase the number of people with higher level skills to support research and innovation.</p> <p>SO3: To increase leadership and management skills to support organisational flexibility, adaptability and growth.</p>	TO10: Investing in Education, Training and Vocational Training for Skills and Lifelong Learning	Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading skills and competencies of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences.	340.1

SO4: To invest in leadership and management skills to stimulate demand for workforce development, to encourage workforce mobility and increase workforce diversity.			
SO 5: To reduce the gender pay gap between women and men, reduce gender inequalities and support the progression of women in the workforce.	TO8: Promoting Sustainable and Quality Employment and Supporting Labour Mobility	Equality between men and women in all areas, including in access to employment and career progression, reconciliation of work and private life and promotion of equal pay for equal work.	21.7
3 Youth Employment and Attainment SO1: To reduce youth unemployment and the number of 16-24 year olds who are Not in Employment Education or Training (NEET)	TO8: Promoting Sustainable and Quality Employment and Supporting Labour Mobility	Sustainable integration into the labour market of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee	137.1
SO2: To increase attainment levels and to reduce the number of those at risk of becoming NEET amongst 11-16 year olds SO3: To increase the skills of the Early Years and Childcare workforce	TO 10: Investing in Education, Training and Vocational Training for Skills and Lifelong Learning	Reducing and preventing early school leaving and promoting equal access to good quality early-childhood, primary and secondary education including formal, non-formal and informal learning pathways for reintegrating into education and training	112.2
4 Technical Assistance			8.0
Total Programme			804.0

3.0 The Evidence Base and the Socio-economic Analysis

3.1 The Socio-economic Analysis

WEFO and the Welsh Government have worked hard to produce a coherent and comprehensive analysis of the underlying economic and social conditions in West Wales and the Valleys to inform the development of both the ESF and ERDF Operational Programmes.

The first draft of the Socio-economic Analysis, presented in September 2012, was a thorough piece of work, and our overall assessment was that it represented ‘a comprehensive analysis of the socio-economic context of West Wales and the Valleys’. In particular, the structuring of the evidence around the Europe 2020 themes was felt to be helpful while the analysis of the Gross Value Added (GVA) per capita gap between WWV and the UK as a whole was very useful in helping to understand the real underlying issues facing the region’s economy. Nevertheless, the team was able to make a number of suggestions for improvements or further clarification: Table 3.1 summarises the most important of these and what action was taken as a result.

The second draft, reviewed in September 2013 was viewed as ‘considerably stronger than the first version’. Comments and suggestions made during this iteration were more minor, though again the most important are summarised in Table 3.1, with subsequent action taken.

Table 3.1: Main issues raised on the socio-economic analysis

Iteration	Comment	Action Taken in Response
First	The need for more consideration of the differences between the two regions of WWV and East Wales (EW), particularly in the SWOT analysis and greater focus on data relating specifically to WWV.	Later versions show a clear effort to use WWV data where available and clearer differentiation in the analysis between WWV and EW in the second draft.
First	Limited analysis of economy by reference to sectors.	Location Quotient analysis was added in the second draft to give a clearer picture of those sectors over- and under-represented in the region by comparison with the UK as a whole.
First	Insufficient analysis of the impact of UK Government Welfare Reform on the WWV economy and labour market.	Additional analysis and information in the second draft.
First	The need for a clearer recognition of and differentiation between shorter-term impacts from the recession and longer-term structural problems within the labour market and economy.	Clearer discussion of longer-term structural problems in the second draft.

First	Limited use of evidence from evaluations of prior ESF Programmes to consider the extent to which improvement in some labour market indicators might reflect earlier investment.	The drafting team has argued that the evidence is limited and inconclusive, so no changes made.
First	Limited consideration of problems in terms of the demand for skills and poor levels of skills utilisation (capacity to utilise on UKCES ¹⁸ research).	Additional material and reference to UKCES research were added to the second draft.
First	The need for greater consideration of differential trends within the region e.g. in demography and labour market performance.	Additional data and analysis were added in second draft, within the constraint of needing to ensure an analysis of reasonable length.
Second	The need to ensure that all data quoted are the most recent available and that the analysis reflects this, given changes in performance of UK economy in the course of 2013 to date.	Some updated data have been included in final version, with confirmation that all data cited are (at time of drafting) the most up to date available.
Second	Potential to improve the ordering and flow of SWOT material.	Some changes have been made but the drafting team has argued that the ordering of the SWOT should reflect the order in which issues are discussed in the text, rather than the relative importance of different factors.

¹⁸ UK Commission on Employment and Skills

The final version of the Socio-economic analysis received on 16 October 2013 is in our opinion of good quality, and the vast majority of more detailed comments made on early iterations have also been addressed.

The underlying economic analysis is detailed, makes use of the appropriate statistical resources and is assisted by reference to government and academic research. The quality of the labour market analysis and the investigation of the causes of the GVA per capita gap are particularly useful and provide valuable context for the OP. There are clear limits on the selected statistical coverage at the NUTS 2 level, but the drafting team has attempted to use the most disaggregated and timely data possible. Where we have suggested that data can be updated this has been taken on board, and where we have suggested deepening the analysis this has either been undertaken or a justification given for maintaining the original material.

The analysis also makes an attempt to realistically examine how far the recession has had an effect on the key statistics. The analysis is objective – indeed these will become useful benchmarks for the state of the economy running up to the new programming period and will be useful reference for policymakers and the academic community. One issue that comes through from a comparative analysis of the material within the WWV analysis and that of EW is how far structural and labour market problems are common across both areas. This perhaps raises the question of whether it might have been more appropriate to develop one OP (albeit with ring-fenced budgets for each area) rather than two: our understanding is that this would be possible under the Regulations¹⁹. However, we understand the reasons why WEFO has preferred to put forward separate mono-fund ERDF and ESF Programmes for each region, as this is administratively neat and reflects an approach which has worked reasonably well in the current round of Programmes.

¹⁹ As we understand it, Priority Axes and hence OPs can relate to ‘more than one category of region’ where appropriate and in order to increase the impact and effectiveness in a thematically coherent integrated approach’ (CPR (96) (1)).

Otherwise, we have no outstanding issues with the socio-economic analysis, although we continue to believe that:

- there might be scope for greater consideration of/research into the extent to which previous ESF interventions might have made a difference to the baseline statistics, for example the narrowing of the gap in terms of inactivity rates;
- there is a strong argument for an attempt to prioritise between the different factors identified within each of the quadrants of the SWOT analysis, since the analysis is an opportunity to nail down the main factors that explain the persistence of socio-economic disparities.

3.2 Other Use of Evidence

We comment elsewhere (notably in Section 5) on areas within the OP where, during the course of the evaluation, the evaluation team has had concerns that evidence may not have been fully utilised and how these concerns have been addressed. This applies perhaps particularly to issues around the efficacy of interventions targeted on the short-term unemployed (where evaluation evidence suggests that there can be very high-levels of deadweight²⁰), to emerging issues around in-work poverty²¹, and to questions around returns on investment in learning and the extent to which this should inform judgements about market failure and hence the need for intervention.

We are also conscious that there are some important gaps in the evidence base available related to current ESF interventions. This is particularly true of skills interventions targeted at those already within work. Whereas labour

²⁰ See for example: Department for Work and Pensions (May 2011) *Early Impacts of the European Social Fund 2007-13* available at http://research.dwp.gov.uk/asd/asd5/report_abstracts/ihr_abstracts/ihr_003.asp.

See also the ESF Leavers' Survey 2011 <http://wales.gov.uk/docs/wefo/report/1306072011esfsurveyreportmainen.pdf> and the Interim Evaluation of ReAct <http://wales.gov.uk/docs/wefo/publications/131017reactevaluationen.pdf>

²¹ See for example, the recent research by Joseph Rowntree Foundation: <http://www.jrf.org.uk/publications/monitoring-poverty-wales-2013>

market outcomes for those previously unemployed and inactive are susceptible to robust counterfactual analysis such as that undertaken in the ESF Leavers' Surveys²² this is less feasible in terms of in-work interventions, where the expected outcomes are more subtle.

However, the OP as it now stands uses available evidence appropriately, with relevant sources cited, particularly in the context of the descriptions of baseline and results in each of the Priority Axes. Wherever we have made suggestions for specific evidence sources to be considered, these have been taken on board. Therefore we conclude that the OP is built on a sound and considered evidence base.

²²<http://wefo.wales.gov.uk/publications/publications/monitoringevaluation/programmevaluations/esfsurveys2011/?lang=en>

4.0 The Programme Strategy

4.1 *The Strategy and the Socio-economic Analysis*

The Programme Strategy (particularly when read in conjunction with the Welsh Chapter of the UK Partnership Agreement) generally flows well from the analysis of the challenges facing the region's economy and labour market and provides a coherent response to those challenges. While the fundamental thrust of the Strategy has not changed significantly during the period of Programme development, it has undergone a significant process of challenge and consequent refinement, in part at least as a result of the ex-ante evaluation. In particular, the first draft (reviewed in November 2012) was a discussion paper which covered both ERDF and ESF and both WWV and EW, which was subsequently significantly redrafted and restructured, with elements being moved into the draft Welsh Chapter of the UK Partnership Agreement.

In Table 4.1 we present the main concerns highlighted during the three iterations on the Programme Strategy in respect of the overall direction of travel and its link back to the evidence of need provided (issues relating specifically to aspects of the individual Priority Axes are considered in Section 5).

Overall, the drafting team have made strenuous efforts to address our concerns, and have been careful to take on board more minor suggestions for improvements not covered in Table 4.1. The Intervention Logic tables (see Annex 2) which were developed to accompany the OP are robust and fit seamlessly with the OP text. At the same time, the drafting team has been (perhaps understandably) concerned not to close off options and flexibilities which as Managing Authority WEFO may wish to use in the future.

Table 4.1: Main issues raised on the Programme Strategy

Iteration	Comment	Action Taken in Response
First	The importance of clearer differentiation between the Strategy for WWV and EW, given the different circumstances within the two and the far smaller resources likely to be available in EW.	Significant change in subsequent drafts to focus more closely on data and issues pertinent to WWV as a region, and with a broader menu of interventions in WWV than in EW.
First	The need to review the high level summary of Opportunities and Challenges, which appeared highly selective compared to the SWOT in the socio-economic analysis.	This section was subsequently moved into the Welsh Chapter of the UK Partnership Agreement and significantly improved.
First and Second	The need to review a list of Programme objectives not aligned to the Thematic Objectives/Investment Priorities/Specific Objectives.	The description of Programme aims and objectives in the Programme Strategy was significantly overhauled in the second iteration, with a much clearer inter-relationship between them and the Specific Objectives.
First and Second	The need to provide a clearer justification of the approach to territorial development and the reluctance to use any of the tools available in the regulations.	This is addressed more comprehensively in the new Section 4 of the OP, and the OP suggests that this will be kept under review although there has been no substantive change.
First and Second	The importance of providing greater detail on <i>how</i> integration between the ESI funds was to be achieved.	This issue is now dealt with much more satisfactorily in other sections of the OP (Section 2 on the Priority Axes and Section 8) and the Welsh Chapter of the UK Partnership Agreement, although the latter remains quite high level.
Second	The need to revisit the decision to draw on TO 8 ²³ only to provide funding for interventions under Priority Axis 3 directed at tackling youth unemployment, with all interventions addressing	The drafting team has argued that given that WG policy (based on sound UK and international evidence) is that employment is the most effective route out of poverty (and that promoting employment is thus a means towards the

²³ On Promoting Employment: See Table 2.1

	adult unemployment and inactivity brigaded under TO9 ²⁴ with this seeming odd given the structural problem of economic inactivity in the region identified in the socio-economic analysis.	end of combating poverty), then there is little sense in trying to divide employability interventions between two Thematic Objectives and creating an unnecessarily complex Programme structure. We broadly accept the logic of this argument.
Second	The need to address weaknesses in the way in which the contribution of the OP to territorial and social cohesion was explained.	This has been addressed much more coherently in subsequent drafts.
Second	The need for a more consistent use of WWV data where it exists.	This has been reviewed and NUTS 2 data used consistently where it is available.
Second	The need to provide an analysis of the specific needs of geographical areas most affected by poverty in Section 5 of the OP.	The drafting team believes that the guidance requires a description either of the specific needs of geographical areas most affected by poverty or (emphasis added) target groups at highest risk of discrimination or social exclusion and that the latter is more relevant to the ESF OP as it is focused on individual rather than spatial needs.
Second and Third	A view that while thematic concentration was achieved in the sense of concentrating on a relatively small number of Investment Priorities, the Specific Objectives were in some instances too broadly drafted, thus undermining the spirit of the principle of thematic concentration and not paying sufficient attention to the evidence of the most intense needs (e.g. in terms of structural problems of inactivity; the lack of access to workplace training of the lowest skilled, part-time	This has been addressed to a significant extent by tighter definition of some of the Specific Objectives. However, WEFO remains reluctant to focus more narrowly arguing that these are compliant with the guidance issued by the European Commission (Fiche 5c) ²⁵ and that the descriptions and targets within the Priority Axes sections make clear the intention in practice to focus on more vulnerable sections of the overall population.

²⁴ Promoting Social Inclusion: See Table 2.1

²⁵ Examples of Key Elements of the Operational Programmes (for the ESF), Fiche No. 5 (C), European Commission 2011

	and older workers; the particular barriers to labour market participation of those with no or only basic skills). In practice, as drafted Priority Axis 1 could support intervention with any individual of working age who was not currently working and Priority Axis 2 could support intervention with any individual of working age who was employed.	
Second and Third	A lack of specific attention to the question of market failure, and to ensuring that interventions do not perpetuate it and in particular an apparent reluctance to focus interventions away from those cases where evidence suggests employers and individuals are prepared to meet the costs of training themselves (e.g. larger companies, higher level skills).	The drafting team argues that ESF is always used as a funder of last resort and that the most appropriate level at which to test market failure and to ensure value for money is during the appraisal of specific projects. They emphasise that all proposals are subject to a financial appraisal during the appraisal process and challenged to demonstrate that their delivery model represents optimum value for money and that all realistic alternative sources of funding have been maximised. To address these concerns a new project selection principle has been added in the case of Priority Axis 2.

As a result there remain a handful of outstanding issues at the level of Programme strategy where we take a different view from WEFO, although in each of them we accept that their position is tenable within the Regulations. These are as follows:

- While the Specific Objectives in the current draft represent a significant improvement overall, we remain of the view that there may be scope for greater targeting and a still narrower (more exclusive) focus on those parts of the labour market where employment and qualification outcomes are least likely to occur without intervention, in particular the long-term unemployed and inactive²⁶, low-skilled and part-time employees, and employees of the smallest businesses²⁷. In part, however, this reflects what appears to us to be a difference between two sets of (draft) guidance prepared by the Commission, Fiche 3 on the Intervention Logic which suggests Specific Objectives should not be as general as 'increasing participation in the labour market'²⁸ and Fiche 5(c) which gives as examples of potential Specific Objectives 'Reintegrate unemployed into the labour market' and 'Increase participation of adults in the education and training process thus promoting labour mobility';
- Although the drafting team has ensured that the final OP is more consistent than earlier drafts in its approach to the issue of market failure, we believe that there is greater scope for addressing this in a more robust way for example, by stating specifically that ESF will not generally fund 100% of direct training costs for higher-level skills

²⁶ See for example : Department for Work and Pensions (May 2011) *Early Impacts of the European Social Fund 2007-13* available at http://research.dwp.gov.uk/asd/asd5/report_abstracts/ihr_abstracts/ihr_003.asp

²⁷ Evidence provided in the Synthesis Paper but see for example UK Employer Skills Survey, 2011: Wales Results at <http://www.ukces.org.uk/publications/er62-employer-skills-survey-11-wales>

²⁸ Guidance Fiche No. 3 Intervention Logic, European Commission, 2013

training for employed participants where training is relevant to their current employment²⁹;

- We continue to have some concerns that the issue of in-work poverty is not fully addressed, though we appreciate that this is not easily susceptible to ESF interventions, since it often reflects employers' wage levels and issues such as zero hours contracts. We do accept, in this context, that the focus on leadership and management skills and on upskilling the workforce may address this in part;
- We continue to believe that the spatial dimension of the OP could be strengthened, with fuller consideration of integrated delivery mechanisms such as Integrated Territorial Initiatives (ITIs), to ensure that the employment opportunities created by ERDF are accessed by those within the region (and more particularly from the deprived areas within it).

4.2 Coherence with Europe 2020

A key part of the process described in Section 4.1 has been to consider the consistency or 'fit' of the programme with the Europe 2020 strategy and its seven flagship initiatives, the Common Strategic Framework and the eleven Thematic Objectives of the Common Provision Regulations³⁰, the Commission's assessment of the three funding priorities for the UK³¹, the UK Country-Specific Recommendations (UKCSRs)³² and the National Reform Programme prepared by the UK Government³³.

The OP explains the choice of Thematic Objectives and Investment Priorities (notably in Table 1 of the Programme Strategy) and in general terms we

²⁹ In this context, we note that a new Welsh Government Policy Statement on Skills, published in January 2014 suggests that the WG is intending to implement new funding principles based on cost sharing with employers, subject to further discussion and consultation.

³⁰ See Section 2

³¹ Position of the Commission services on the development of the Partnership Agreement and programmes in the United Kingdom for the period 2014-2020, Ares(2012)1315758-08/11/12

³² <http://register.consilium.europa.eu/pdf/en/13/st10/st10660-re01.en13.pdf>

³³ http://ec.europa.eu/europe2020/pdf/nd/nrp2013_uk_en.pdf

conclude that there is overall consistency between the OP and the policy priorities of the Europe 2020 agenda (EU2020) and associated headline targets, relevant Thematic Objectives, the UKCSRs and the Commission Position Paper for the UK. Each of these requirements is also considered comprehensively in the context of the socio-economic analysis.

We note specifically:

- The Welsh Government has required from the outset a strong emphasis of targeting resources on job creating growth in line with Europe 2020;
- There is attention to ensuring ESI Funds are used to add value and to achieve sustainable economic growth in priority areas;
- The opportunities for complementarity across ESI Funds and other EU Programmes have generally been grasped (though much will depend on the implementation practices); and
- The issues of Territorial Cooperation, the use of Financial Instruments and the application of the Horizontal Themes have been addressed systematically.

The OP includes a clear statement of Vision, Aims and Objectives, which are also compatible with the content of the Priority Axes.

In summary, we note in Table 4.2 below the way in which key elements of the OP relate to Europe 2020 and other requirements.

Table 4.2: Complementarity between key aspects of the OP and Europe 2020

OP Section/Proposed Investments	Complementarity with Europe 2020/CSF/CPP/UKCSR/NRP
<p>Priority Axis 1 and Priority Axis 3 Incorporate actions to reduce poverty and enhance social mobility through interventions to minimise the duration of unemployment and to help the long term unemployed to return to work (Priority Axis 1 and 3) and to help those in the workforce with low and basic skills to attain higher qualifications, and in part thereby reducing the risks of in-work poverty and unemployment (Priority Axis 2).</p>	<ul style="list-style-type: none"> - EU2020 flagship Inclusive Growth – ‘European Platform against Poverty and Social Exclusion’; - EU2020 headline targets to raise the employment rate, to increase education levels and to reduce the number of people at risk of poverty and social inclusion; - TO8 and TO9; and - UKCSRs to facilitate the labour market integration of people from jobless households, to mitigate the impact of the UK Welfare Reform programme on the risk of poverty and to improve access to childcare services.
<p>Priority Axes 1 and Priority Axis 3 Provide for measures to improve the quality and quantity of the child care workforce to assist labour market accessibility and improve the longer-term outcomes for young people.</p>	<ul style="list-style-type: none"> - EU2020 flagship Inclusive Growth - ‘An Agenda for New Skills and Jobs’ and ‘European platform against poverty and social exclusion’; - EU2020 headline target to lift people out of poverty; - Directly, TO9 and TO10 and indirectly TO8; and - UKCSR to fully implement measures to facilitate access to childcare services.
<p>Priority Axis 2 Maintains an extensive Apprenticeship programme with attention paid to encouraging and incentivising SME’s to recruit young apprentices.</p>	<ul style="list-style-type: none"> - EU2020 Smart Growth - ‘Youth on the Move’ and ‘Inclusive Growth - An Agenda for New Skills and Jobs’; - EU2020 headline targets to increase the proportion of young adults completing tertiary education and to raise the employment rate; - Directly TO10 as well as indirectly supporting the TO8, TO9 and TO3 (Enhancing the competitiveness of small and medium sized enterprises); and - UKCSRs to ensure apprenticeship schemes are taken up by young people and small and medium-sized businesses in

	particular in support of economic growth, to improve generally the employability of young people and to reduce the incidence of young people possessing only very basic skills.
Priority Axis 2 Takes forward actions to reduce gender barriers to female labour force participation and increase women in leadership and management positions	<ul style="list-style-type: none"> - EU 2020 flagship Inclusive Growth - 'An Agenda for New Skills and Jobs'; - EU headline target to raise the employment rate for women and men; and - TO8.
Priority Axis 2 Prioritises the enhancement of research and innovation knowledge and skills (Priority Axis 2) in support of the challenge of significantly low levels of investment in Research, Development and Innovation.	<ul style="list-style-type: none"> - EU2020 flagship Smart growth – 'Innovation Union', Sustainable Growth and Inclusive Growth – 'An Agenda for New Skills and Jobs'; - EU2020 headline target to improve the conditions for research and development and to increase investment in the sector; and - Directly, TO10 and indirectly TO1 (Enhancing research, technological development and innovation) and TO 8.
Priority Axis 2 Continues the efforts to address the shortage of higher level skills including Leadership and Management knowledge and skills, which in turn will assist modern approaches to workforce development including addressing gender issues, the sustainable use of resources and research and development.	<ul style="list-style-type: none"> - EU2020 flagship Inclusive Growth - 'An Agenda for New Skills and Jobs', 'Smart Growth – Innovation Union and Sustainable Growth' ; - EU2020 headline target to raise the employment rate and increase Research and Development (R&D) investment; - Directly TO10 and indirectly TO1 and TO8; and - UKCSR's related to employment and skills generally.
Priority Axis 3 Introduces a more advanced, systematic and targeted approach to improving the attainment and employment of young people (0-24 years of age) including ensuring action to address poor basic skills and reducing early school leaving.	<ul style="list-style-type: none"> - EU2020 Smart Growth - 'Youth on the Move' and Inclusive Growth – 'An Agenda for New skills and Jobs'; - EU 2020 headline targets to reduce early school leaving, to increase education achievement amongst young adults, to raise the employment rate and to reduce the risk of poverty;

	<ul style="list-style-type: none">- Directly to TOs 8 and 10 as well as indirectly to TO9; and- UKCSRs to improve the employability of young people, raise skills levels, tackle basic skills problems, benefit child poverty reduction, enhance child care services and support the private sector to achieve growth.
All Priority Axes Contain a strong emphasis on the use of ESF to respond to employer skills needs and gaps and the development of effective Labour Market Intelligence.	<ul style="list-style-type: none">- EU2020 flagships Smart Growth - 'Youth on the Move' and Inclusive Growth - 'An Agenda for New Skills and Jobs';- EU2020 headline target to raise the employment rate; andDirectly TO8, 9 and 10 and indirectly TO3.

Given the very small scale of the Programme area in population (around 3%) and GVA (around 2%) compared to the UK as a whole, we do not believe it is possible to provide quantified estimates of the contribution of the Programme towards the achievement of specific EU 2020 targets at the Member State level.

Nevertheless, based on our knowledge of the region and the robust intervention logic, we are confident that the OP should make a positive and direct contribution to meeting the EU2020 targets for the increase in the employment rate, the reduction in early school-leaving and the proportion of young people with a tertiary degree and should help to reduce the number of people living in poverty (though it needs to be recognised that factors outside the Programme's control, notably the UK Government's Welfare Reform Programme, could have a major impact here). The OP should also make an indirect contribution to achieving the target for increasing the proportion of GDP invested in Research and Development by supporting the development of research skills.

4.3 Thematic Concentration

In terms of thematic concentration, we believe that the OP has met the requirements of the Regulations in restricting the number of Thematic Objectives directly supported through the Programme to three, and the number of Investment Priorities to five (of a possible 19). Since the Regulatory requirements - for ensuring that a minimum of 20% of total ESF resources are allocated to TO9 and that at least 60% of the ESF resources for least-developed regions are devoted to no more than five investment priorities³⁴ - are set at Member State level we cannot verify that these have been met, but the OP is clearly consistent with this (Table 18C).

However, as noted in Section 4.1 and explored in more detail in Section 5, we take the view that some of the investment priorities are defined in a very broad

³⁴ ESF Regulation Art. 4

way. In addition, while we accept the arguments (both in terms of administrative simplicity and because of the importance of employment as a route out of poverty) for brigading the whole of Priority Axis 1 under TO9, in our view many of the interventions proposed would fit equally well within the Investment Priority ‘Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility’, which is a part of TO8.

4.4 UK Partnership Agreement

The evaluation team had the opportunity to review and comment on the draft Welsh Chapter of the UK Partnership Agreement at the same time as undertaking the final iteration on the text of the OP. We have also been given access to a full draft of the UK Partnership Agreement.

In our view, the strategy set out in the OP is consistent with the analysis and proposals for use of the ESI Funds set out in both the UK and Welsh Chapters of the UK Partnership Agreement. In particular, all of the interventions envisaged are consistent with the proposals for the use of ESI funds across the UK, albeit that – understandably - the UK Chapter clearly provides a larger ‘menu’ of potential interventions than is proposed in WWV. There do appear some slight differences of emphasis with the UK Chapter, for example, highlighting more strongly the growth of in-work poverty (though without any more definite proposals for how to use ESI funds to tackle this) and the importance of sectoral policy (albeit in the context of the UK Government’s Industrial Strategy, the relevance of which to Wales is questionable) and striking a more sceptical note about the role of the public sector in providing information, advice and guidance to businesses.

More generally, the socio-economic analysis in the UK Chapter highlights the scale of the challenge facing Wales in terms of addressing structural difficulties and reversing negative trends in particular in terms of GVA.

5.0 Consistency and Coherence of Programme Priorities

5.1 Priority Axis 1: Tackling Poverty through Sustainable Employment

We now turn to consider the internal coherence of each of the three main Priority Axes (with each other and the Programme Strategy), the extent to which they are based on the evidence and the external coherence with other policies and programmes.

Turning first to Priority Axis 1, in Table 5.1 we present information on the main issues raised during the three iterations of the ex-ante evaluation and the response of the drafting team.

In general terms, the vast majority of these issues have been addressed, either directly through changes to the OP or indirectly through arguments (which appear to us to be legitimate) that they should be more properly addressed through project eligibility and appraisal rules and processes. In addition, almost all the more minor issues raised have been addressed or responded to and the Priority Axis is now, in our view, robust in terms of its internal and external coherence.

Our only outstanding concern relates to the relative scale of the interventions focused on the recently unemployed, as reflected in the proposed indicators and targets (see also Section 6). These imply that 25% of all participants under the Priority Axis and 28% of all the non-employed participants will be short-term unemployed, which in our view remains somewhat high, given the evidence that the vast majority of short-term unemployed people find work without support³⁵ and the suggestion in the ESF Leavers' Surveys³⁶ and the

³⁵ See for example ONS 'Moving Between Unemployment and Employment' (November 2013)
http://www.ons.gov.uk/ons/dcp171776_335141.pdf

Thematic Evaluation of Priority 2³⁷ that in the current Convergence Programme, where given discretion, some projects at least have tended to work with individuals closer to the labour market. However, the drafting team argues that this is appropriate, given that:

- The Specific Objective has been tightened to focus more specifically on those ‘who are unemployed and work ready **and at most risk of poverty, disadvantage or exclusion**’ (emphasis added);
- Under current circumstances, individuals who have been unemployed for more than 12 months and less than 36 months will not be eligible for support (as they will be mandated to the UK Government’s Work Programme which would render them ineligible) and that changes to the benefits system mean that a higher proportion of those formerly on inactive benefits are now being transferred to the Job Seekers regime, thus significantly reducing the eligible population of long term unemployed/inactive participants;
- There is some evidence that ESF support may improve the quality of jobs accessed by short-term unemployed participants³⁸;
- The targets still mean that 75% of the participants under Priority Axis 1 will be long term unemployed or inactive.

³⁶ ESF Leavers Survey 2011, p. 15-16

³⁷ Evaluation of ESF Convergence Priority 2: Increasing Employment and Tackling Economic Inactivity, WEFO, p37 – 39:
<http://wales.gov.uk/docs/wefo/publications/deliveringguidance/rme/120319esfconvp2evaluationreporten.pdf>

³⁸ ESF Leavers Survey 2011, p. 52

Table 5.1: Main issues raised on Priority Axis 1

Iteration	Comment	Action Taken in Response
First	The need for greater clarity around the interventions envisaged in terms of in-work participants, given the scope for confusion between interventions aimed at 'progressing individuals within work' in this Priority Axis and Priority Axis 2.	Further clarity provided in subsequent drafts, with the focus clearly on preventative actions to support vulnerable groups (particularly those with health issues) remaining within the workforce.
First	The need for clearer and more consistent definition of disadvantaged groups.	Consistency improved in subsequent drafts, with clear cross-references to Section 5 of the OP which contains an analysis of vulnerable groups.
First	The importance of providing greater assurance that there will be greater coherence and less duplication between individual projects, including the need for greater clarity in terms of the spatial level of interventions.	The drafting team has argued that implementation systems will ensure this and have pointed to work underway in the wake of the Guilford Review ³⁹ to ensure a more coherent approach to the development of ESF projects, with a core of national projects.
First	The need for greater clarity as to how a more co-ordinated approach to employer engagement will be achieved.	Addressed in part through the strong emphasis on working within a 'demand-led' approach.
First	The need for a stronger emphasis on the importance of tailored interventions, particularly for those with complex needs.	Covered in subsequent drafts.
First and Second	The need to reconsider whether interventions with the short-term unemployed should be a focus of the OP, given limited resources, and given evidence from previous research that	Evidence provided by the drafting team to justify interventions in some circumstances, with the text amended to strengthen the focus amongst the short-term unemployed on more vulnerable individuals. In the final

³⁹ See Section 8

	interventions with the short term unemployed often entail high levels of deadweight ⁴⁰ .	version, the Specific Objective has been refined to focus on those 'at most risk of poverty, disadvantage or exclusion'.
First and Second	The need for greater clarity around the relationship between the OP and interventions funded by the UK Government Work Programme, given that the latter employs a 'black box' approach (i.e. where payment is based on results and the provider is expected to provide whatever support is needed to secure an employment outcome).	The drafting team has argued strongly that given the strong prospect of continued evolution of UK policy over the next seven years, these issues should be dealt with in the Welsh National Rules on Eligibility and considered at the level of individual project appraisal. Text to this effect has been added to the OP.
Second	The need for stronger justification of the case for attributing the whole of the Priority Axis to TO9 and to consider whether it was acceptable that no funding was to be drawn down to the OP under the Investment Priority 'Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility', despite the evidence of a persistent problem of economic inactivity in the socio-economic analysis. (see also 3.1)	The drafting team has argued that the Welsh Government's policy on Tackling Poverty makes clear that work is the main route out of poverty and that interventions such as those in the Priority Axis clearly represent a means to an end of reducing poverty and increasing social inclusion. They have also argued that it would be unnecessarily administratively complex to split the Priority Axis between two Thematic Objectives and Investment Priorities. We broadly accept these arguments.

⁴⁰ DWP 2011 Op. Cit.

Second	Insufficient emphasis on under-represented and equality groups in terms of the analysis and proposed interventions (particularly in the light of the difficulties of the current Convergence Programme in reaching older workers, women, disabled people etc.) ⁴¹ .	Subsequent drafts have improved this, with both Specific Objective 1 and 3 explicitly referring to those at specific disadvantage in the labour market, linked to the analysis in Section 5 of the OP (and the socio-economic analysis) of vulnerable groups.
First, Second and Third	The need for greater emphasis on addressing in-work poverty, given emerging evidence that the proportion of households in poverty which have one or more adults in work is large and increasing ⁴² .	Some increased references to in-work poverty have been incorporated in later drafts and the final version and it is argued that this issue is covered in Priority Axis 2.
Second and Third	The need to reconsider the Specific Objectives to make them more specific and focused.	This has been addressed in the final OP by some redrafting of Specific Objectives 1 and 3 to sharpen the focus on those most vulnerable in terms of their engagement with the labour market.

⁴¹ See data on outturns for the current Convergence OP in the Monitoring Report to the PMC, June 2013 at <http://wales.gov.uk/docs/wefo/minutes/130621esfconvergencereporten.pdf>

⁴² Joseph Rowntree Foundation, 2013, Op. Cit.

5.2 Priority Axis 2: Skills for Growth

In terms of the second Priority Axis, Skills for Growth, Table 5.2 outlines the main issues raised in the course of the three iterations and the response of the drafting team to each.

Again, very many more detailed points made in the course of the ex-ante process have been fully addressed and in many ways we feel that the Priority Axis as it stands is robust.

Nevertheless, we continue to have some concerns over the overall focus and targeting of the Priority Axis. The focus of Specific Objective 1 on intermediate level skills (reflected also in the targets – see Section 6) while responding to the EU 2020 targets and the evidence that employability is strongly correlated with qualifications at this level and above⁴³, perhaps risks underplaying the importance of working with those with no or only very low level qualifications who may, in the short term at least, be unable to progress to intermediate level qualifications (though investment in basic skills is clearly flagged up as a priority in the text of the Priority Axis and the importance of establishing progression routes for those with no/low skills has been added in final changes to the text).

⁴³ UKCES (2011), *Skills for Jobs: The National Skills Audit for Wales 2011- Volume 2:Evidence Report*

Table 5.2: Main issues raised on Priority Axis 2

Iteration	Comment	Action Taken in Response
First	The need to update the evidence base by stronger references to recent UKCES research such as the Wales Skills Audit.	Subsequent versions have used evidence appropriately.
First	The need to address a tension between the (then) title of the Priority – ‘Skills for All’ – and the intention to provide support selectively.	The title has been changed to ‘Skills for Growth’ and many of the references to selective application removed.
First	The need to be much clearer on what is meant by ‘demand led’ (in view of the tension between employer demand, individual demand and the needs of the economy) and to address more clearly ‘demand side’ issues, in other words the failure of employers to fully utilise the skills available in the workforce, or to recognise the need for investment in up-skilling, particularly for lower skilled and part-time workers.	In the second iteration, the drafting team stressed that ‘demand-led’ was defined as ‘responding to Labour Market Intelligence which identify skills needs / trends for coming years. These needs / trends can be illustrated through skills shortages or skills gaps identified by research or by employers’. Some references to demand side issues have been included and the drafting team argues that Specific Objective 4 deals with the issue of demand-side failures directly.
First and Second	The lack of clarity over the extent of the focus (if any) on the nine key sectors prioritised by the Welsh Government, as well as other forms of targeting (e.g. on anchor companies).	References to the priority sectors and other forms of targeting of specific businesses have generally been removed, leading to greater internal coherence (though arguably less coherent integration with current WG policy). The drafting team argues that appraisal processes will allow the Managing Authority to reflect policy priorities in terms of a wide raft of relevant initiatives which include sectors, enterprise zones, city regions, local growth zones and regeneration areas and this is reflected in the project selection principles set out in the OP.

Second and Third	The need to reconsider if two Specific Objectives relating to leadership and management skills are necessary.	The drafting team argues that the two are distinct (one focused on nurturing leadership and management skills related to overcoming barriers to business growth, while the other is focused on stimulating a 'training culture' within organisations) and that, because the distinction is a subtle one, this strengthens the case for keeping them separate.
First, Second and Third	The need for greater focus within what was felt to be an 'omnibus' first Specific Objective – 'to increase the skills of the employed workforce'.	The final version of the OP has refined the Specific Objective to focus more specifically on the up-skilling of the workforce with a particular focus on intermediate skills.
Second and Third	The need for greater attention to issues around market failure, with there being a case for a stronger focus on those with no or low skills and greater attention as to how to address, rather than perpetuate, the market failure of employers (and in some cases individuals) failing to invest in training which would generate a significant economic return for themselves. The need also to differentiate between smaller and large employers, as the latter are much more likely to invest in training without intervention (see also Table 3.1).	The drafting team argues that ESF is always used as a funder of last resort and that the most appropriate level at which to test market failure and to ensure value for money is during the appraisal of specific projects. They emphasise that all proposals are subject to a financial appraisal during the appraisal process and challenged to demonstrate that their delivery model represents optimum value for money and that all realistic alternative sources of funding have been maximised. However, to address these concerns a new project selection principle has been added. In addition, the drafting team argues that the focus of Specific Objective 4 is on developing a training culture within leaders and managers in businesses, thus directly addressing current reluctance to invest in training.

It is also arguable that this focus (as well as the fairly strong emphasis in the other Specific Objectives on higher level skills) does not fully recognise the point that the economic returns to employers and individuals are more significant at higher qualification levels and that for this reason, there is less evidence of market failure (particularly in the case of larger companies) and therefore a weaker case for intervention, at higher qualification levels⁴⁴. This is also linked to two further points:

- The potential for a more robust approach to requiring company or individual contributions to the costs of training which can be expected to generate significant economic returns (covered in Section 3 above);
- A risk that focusing on a demand-led approach (even where this is not explicitly defined as employer demand) might lead to a perpetuation of current inequalities in terms of access to training, whereby certain parts of the labour force (women, part-time workers, those with low skills) are disproportionately unlikely to access up-skilling opportunities⁴⁵.

Finally, in terms of the external coherence with other policies and programmes, for example, the current economic development policy of the Welsh Government which focuses on nine key sectors, we believe greater clarity may be required during the implementation of the Programme through guidance to potential project sponsors about the extent and nature of any sectoral targeting within this Priority Axis, although it is worth noting that the approach within the ESF OP is in line with the new Welsh Government Policy Statement on Skills which does not reference these sectors⁴⁶.

⁴⁴ Evidence provided in the Synthesis Paper but see for example UKCES (2010), *The Value of Skills: An Evidence Review* at <http://www.ukces.org.uk/publications/er22-the-value-of-skills> and DWP (2010), *Research Report no680 Training and progression in the labour market*,

⁴⁵ See UK Employer Skills Survey, 2011: Wales Op, Cit.

⁴⁶ Welsh Government Policy Statement on Skills, published in January 2014..

5.3 Priority Axis 3: Youth Employment and Attainment

In terms of the third Priority Axis, Youth Employment and Attainment, Table 5.3 outlines the main issues raised in the course of the three iterations and the response of the drafting team to each.

Although the original paper had a number of weaknesses, development work on this Priority Axis has significantly improved internal coherence of the Axis and strengthened the links to the evidence base, while the interventions are well aligned with Welsh Government policy, including the recently published Youth Engagement and Progression Framework. Again, very many more detailed points made in the course of the ex-ante process have been fully addressed. We have no outstanding issues with this Priority Axis and believe it is robust as it stands.

Table 5.3: Main issues raised on Priority Axis 3

Iteration	Comment	Action Taken in Response
First	The need for greater clarity of purpose, clearer rationale and a more coherent approach to targeting on specific groups of young people.	The second version of the Priority Axis – together with the Intervention Logic table (received July 2013) made a much more coherent and systematic case for the Priority Axis as a whole and the Specific Objectives within it.
First	The need for a clearer justification of why the childcare workforce should be a priority for investment, compared to other potential interventions aimed to tackle disadvantage in the early years of life.	The drafting team has provided (and cited in the OP) specific evidence to link longer-term outcomes to the quality of childcare and have also included data on the relatively poor qualifications profile of existing childcare staff.
First (Intervention Logic)	The need to make the first Specific Objective more specifically targeted on those at risk of becoming NEET.	The Specific Objective has been reworded to remove the ambiguity in the early version which referred (generically) to 'supporting young people to access sustainable employment'.
First and Second	As with Priority Axis 1, the need for greater clarity around the relationship between the OP and interventions funded by the UK Government Work Programme, given that the latter employs a 'black box' approach (i.e. where payment is based on results and the provider is expected to provide whatever support is needed to secure an employment outcome).	The drafting team has argued strongly that given the strong prospect of continued evolution of UK policy over the next seven years, these issues should be dealt with in the Welsh National Rules on Eligibility and considered at the level of individual project appraisal. Text to this effect has been added to the OP.
Second	The need to use WWV specific data where available.	The final OP uses WWV data wherever these are available.

6.0 Indicators and Targets

There has been less opportunity for the ex-ante evaluation team to work with the drafting team over the development of indicators and targets. To some extent, this is a feature of the prescriptive nature of the European Commission's requirements in terms of core indicators, which WEFO is careful to respect, and in part this is due to timing, since targets, in particular can only realistically be set once there is a clear indication of the likely funding available to the OP – which was not the case before early summer 2013.

A paper outlining potential indicators for each Priority Axis was received in May 2013 but it was only at the final iteration that proposed target values (for 2023) were included within the draft documents being reviewed. A paper explaining the methodology for calculating target values was also provided with the final version of the OP in October 2013. Full detail on the Performance Framework was made available in December 2013.

We summarise in Table 6.1 the main issues raised during the first iteration on the indicators (the initial Paper on the indicator structure) and the third iteration.

Table 6.1: Main issues raised on indicators and targets

Iteration	Comment	Action Taken in Response
First	The need for an indicator of Participants aged 54 and over for Priority Axis 1, given the issues over inactivity amongst older people.	Included in the OP.
First	The need for an indicator for Participants aged 25 years and younger for Priority Axis 2, given the inclusion of apprenticeships under this Priority Axis and to consider whether some participants might be previously unemployed (this has been an issue in the current Convergence ESF Programme in relation to research skills projects).	The case was accepted for including the younger participants indicator but this has not been carried through into the OP. The drafting team has argued that all participants in Priority Axis 2 should be employed.
First	Whether the proposed outputs indicators for 'research studies' and 'learning and development strategies' (Priority Axis 2) and 'systems developed' (Priority Axis 3) should be removed given definitional issues and the lack of obvious relationship to the interventions as described.	Deleted in the OP.
First	The need to consider the relevance as a results indicator of participants in education/training on leaving for Priority Axis 2.	Deleted in the OP.
First	The need to consider the scope for specific result indicators relating to areas of the Programme such as apprenticeships, research skills and leadership and management and the importance of seeking to develop indicators relating to the enhanced ability to undertake current duties and/or contribute to improved business performance or actual/potential for progression/	As noted elsewhere, the drafting team believes that specific result indicators are not mandatory for ESF and have preferred to use only the core indicators. They also argue that these sorts of results should be investigated through evaluation.

	promotion which are key to interventions focused on those already in employment.	
Third	The need to explain why targets for overall number of participants and consequently for all results indicators for Priority Axis 1 appear low by comparison with the current Convergence Programme, particularly given the fact that the current Programme has been implemented during adverse economic conditions ⁴⁷ .	The methodological paper shows that for participant numbers and for employment outcomes a range has been modelled from the experience of current projects, reflecting the differential success of projects working with short-term unemployed, long-term unemployed and the inactive, and reflecting the fact that (given the influence of the Work Programme) long-term unemployed are likely to have been unemployed for more than 36 months. The figures are said to be within the range derived. The drafting team argues that unit costs are likely to be significantly higher owing to the mix of participants being more heavily weighted to those furthest from the labour market.
Third	The need to explain whether the ambitious targets for female participants in Priority Axis 1 are realistic in the light of experience of the Convergence Programme and the composition of the unemployed and inactive population.	The methodological paper explains that this target has been set on the basis of the current population share and the drafting team believes it is appropriate to set challenging targets.
Third	The need to explain whether the ambitious targets for older participants in Priority Axes 1 and 2, for part-time female employees and those with work-limiting health conditions in Priority Axis 2 and for disabled young people who are NEET in Priority Axis 3 are realistic given the relatively	The methodological paper explains that the targets for older participants and for disabled (Priority Axis 3) are derived from population shares, while those for participants with work-limiting health conditions and part-time employees are based on targets set in 2007- 2013. The drafting team believes it is appropriate to set challenging

⁴⁷ For this and other statements on current Programme performance see data on outturns for the current Convergence OP in the Monitoring Report to the PMC, June 2013 at <http://wales.gov.uk/docs/wefo/minutes/130621esfconvergencereporten.pdf>

	poor performance of projects during the current Programme of delivering against similar targets.	targets and argue that 'the shift of the Managing Authority to a more robust result orientated project monitoring and review process will ensure that activity is target driven going forward and not subject to projects picking of low hanging fruit'.
Third	The need to consider whether it is appropriate to set a target for 25% of all Priority Axis 1 participants to be short-term unemployed. (see also Section 5.1)	The drafting team argues that this is appropriate, given that the eligible population of the unemployed/inactive will be reduced by the impact of the Work Programme and changes to the benefits system.
Third	The need to consider whether the target for a relatively high proportion (15%) of all qualifications under Priority Axis 2 at Level 5 or above and the relatively low proportion (also 15%) at Level 2 or below accurately represents the policy intention. (see also Section 5.2)	The methodological paper explains that the targets reflect a policy based approach along with experience of the current Programme. The drafting team suggests that the target for higher level qualifications represents only a relatively modest increase on the current Programme outturns (9%).
Third	The need to consider whether setting a target for the proportion of participants in Priority Axis 2 who are female below the level currently being achieved in the equivalent Priority in the Convergence Programme is appropriate.	The methodological paper explains that this is based on the population share of females in the workforce.
Third	The need to explain the relatively low target for the number of SMEs supported, which implies there will be an average of 29 participants per business compared to 12 in the current Programme.	The drafting team argues the target is based on comparable performance in the current Programme and also takes into account guidance that employers should be counted only once during the programme timescale and reflects a level of uncertainty over the impacts of this approach.
Third	The need to explain the ambitious target for NEETs achieving qualifications at level 3 and 4, given the experience of the current Programme.	The methodological paper provided says these have been derived by a policy based approach and the drafting team argues that this level of ambition is appropriate.

Overall, as far as the final OP is concerned, we believe the indicator set used is appropriate – not least, given that it uses almost exclusively the common indicators – but note that, as it stands, the OP does not conform with the requirement in Art. 5 of the ESF Regulation that ‘all common output and result indicators shall be reported for all investment priorities’. We also believe that the methodology for deriving targets has been coherent and logical, although it is important to note that the paper we have seen details the approach followed rather than the precise workings. We believe the target values proposed for 2023 are as a whole reasonable.

However, we would wish to qualify this with a number of observations:

- We continue to believe that some specific result indicators would be desirable, perhaps particularly in the context of the employed workforce in Priority Axis 2, where, in our view, the common indicators do not fully reflect the range of intended outcomes, which, for the individual relate to improved performance and confidence in their current role, improved pay and promotion prospects, and employability and capacity to progress within the labour market, and which for the business, relate to improved performance and hence productivity and competitiveness. We agree that these should largely be tested through evaluation, but we also believe that some of these (e.g. changes to pay and promotion) would be susceptible to monitoring and thus could form the basis for results indicators. We accept however that this to a large extent will depend on the final Guidance from the Commission;
- In terms of the targets for Priority Axis 1, we accept that there are very significant uncertainties about the impact of the Work Programme and other future Government reforms on the eligibility of participants, and agree that the Programme should be targeting harder to reach groups, who require more intense and expensive interventions than those supported under the current Programme. We also accept that the architecture of the OP is not the same as that of the Convergence Programme, with youth unemployment now the focus of action under

Priority Axis 3. However, we continue to feel that (as noted in Section 5.1) the implied target for participants under Priority Axis 1 who are short-term unemployed is on the high side and that, given this, targets for participant numbers and results for this Priority Axis are perhaps too modest;

- In terms of the targets for older workers (Priority Axis 1 and 2) and female part-time workers and workers with a limiting long-term illness (Priority Axis 2), we applaud the ambition with which the targets have been set but would stress that, in our judgement, it will require a very significant effort in terms of Programme and project implementation if they are to be achieved, given the relative lack of success in targeting ESF interventions on these groups in the past. In our view, the focus of Priority Axis 2 on responding to demand (given that employers in particular are less likely to put forward older and part-time workers for training⁴⁸) and the potential for interventions to support all those in the workforce, with a strong drive to achieve intermediate level qualifications (which may be more challenging for vulnerable groups to achieve) may make it more difficult to ensure that projects appropriately target such groups;
- Related to this, we would also argue for an output target to be set for part-time workers in general for Priority Axis 2, even though this is not a core indicator. We also continue to believe a target for Participants aged 25 and under should be set for this Priority Axis, even if this cohort should not be the main focus for the Priority Axis.

We would also refer to the discussion on the target for short-term unemployed in Section 5.1

In terms of the Performance Framework, we think that the proposals are acceptable as they stand but are unclear as to why the selected milestone in

⁴⁸ Evidence provided in the Synthesis Paper but see for example UK Employer Skills Survey, 2011: Wales Results at <http://www.ukces.org.uk/publications/er62-employer-skills-survey-11-wales>

terms of outputs (in each case, participant numbers) vary in terms of their relationship to the overall target for 2023 (for Priority Axis 1, the milestone is approximately 45% of the total target, for Priority Axis 2, 37% and for Priority Axis 3, 52%) and why – even allowing for the fact that many participants in 2018 will still be ‘on programme’ and that claims are often significantly in arrears – in all cases this is significantly ahead of the financial milestone, which is the same (at just under 19% of the allocation for the entire period) for all three Priority Axes. We think there is a case for reconsidering the relationship between likely spend and outputs and for some narrowing of this gap.

Finally, we note that the Regulations⁴⁹ clearly provide for milestones to be set in terms of outputs indicators and that results indicators are optional. We also understand why the drafting team is reluctant to propose results indicators (for example employment outcomes for unemployed participants in the case of Priority Axis 1 or participants gaining qualifications in the case of Priority Axis 2) because there is much greater uncertainty about the timing with which such results are achieved and recorded. However, as evaluators, we believe that results are always a more appropriate focus for judging the success or otherwise of interventions.

⁴⁹ Art. 96 (2)(b)(v) of the CPR

7.0 Financial Allocations

As with indicators and targets, there has been less opportunity for us to engage extensively with those developing the OP over the financial allocations. An initial very brief paper was provided in July 2013 setting out the broad proportions of ESF to be allocated to the Priority Axes (in both WWV and East Wales) while detailed figures were provided at the third iteration stage in October 2013. Table 7.1 sets out the major issues raised in respect of the financial allocations and the responses from the drafting team.

On balance, we believe that a strong case has now been made for the chosen financial allocation, and that, bearing in mind the intention to support youth employment and employability interventions under Priority Axis 3, the overall allocation for interventions to promote employment and social inclusion is acceptable.

Table 7.1: Main issues raised on financial allocations

Iteration	Comment	Action Taken in Response
First	The need to ensure that the figures are consistent and sum to 100%.	This has been addressed in subsequent versions.
First	Concerns over the allocation of all activity under Priority Axis 1 to TO9 and the need to consider whether the omission of any use of the TO8 is appropriate. (See also Sections 4 and 5).	The drafting team has argued that given that WG policy (based on sound UK and international evidence) is that employment is the most effective route out of poverty (and that promoting employment is thus a means towards the end of combating poverty), there is little sense in trying to divide employability interventions between two TOs and creating an unnecessarily complex Programme structure. We broadly accept the logic of this argument.
First	The need for greater clarity over the relative proportions of ESF allocated to WWV and East Wales (both relative to ERDF and in terms of the different Priority Axes).	The drafting team has argued that the overall share of ESF in East Wales is likely to be dictated by the Regulations and that differences in allocation between Priority Axes are marginal.
First and Third	The need for stronger justification for the relatively low proportion of resources being proposed for Priority Axis 1 (23%), given the structural issues of inactivity in WWV (while accepting that Youth Unemployment would be supported through Priority Axis 3) and conversely the allocation of the largest share of resources to Priority Axis 2.	The drafting team has argued that in addition to the fact that – in contrast to the Convergence Programme – action to combat unemployment is split between two Priority Axes, the restrictions on eligibility resulting from the Work Programme and other changes to UK Welfare Policy and the evidence in the socio-economic analysis that the larger share of the GVA ‘gap’ is accounted for by low productivity support this split. They have also pointed out that when taking into account the combined indicative budget to tackle unemployment in Priority Axis 1 and 3, the cash budget for the OP is €19m more than in the current Convergence Programme, despite a fall in the overall funding available for the OP.

Third	References to difficulties of 'absorbtion' of Priority Axis 1 funding not clear.	The drafting has been changed and it has been explained that this was referring to the difficulty of committing large volumes of funds if eligibility becomes unduly restricted as a result of changes to UK Welfare to Work policy.
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8.0 Administrative Arrangements, Monitoring and Evaluation

8.1 *Administrative Arrangements and Capacity*

While the ex-ante evaluators are required to consider the adequacy of human resources and administrative capacity for the management of the OP, the OP template does not provide the opportunity for the Managing Authority to provide evidence on this, as the focus of Section 7 is on the implementation bodies and on the engagement of a wider partnership in developing and implementing the OP, while Section 10 concerns the administrative burden on beneficiaries. We therefore briefly consider the available evidence on administrative capacity before considering the content of these two parts of the OP.

WEFO has long experience as a Managing Authority, has implemented systems which have ensured a very low error rate by comparison with other Managing Authorities (0.41% compared to a threshold for corrective action of 2%), and has received a series of commendations from the European Commission for the standards of its management practices particularly since the introduction of the Programme and Project Information Management System (PPIMS) and WEFO on-line which has enabled projects to input financial and monitoring data using ICT rather than manual returns⁵⁰. The Customer Insight Survey⁵¹ undertaken in 2009 also shows that beneficiaries have generally appreciated these developments, although concerns remain, particularly around the speed of handling project proposals.

⁵⁰ See for example Position of the Commission services on the development of the Partnership Agreement and programmes in the United Kingdom for the period 2014-2020, Ares(2012)1315758-08/11/12 p. 26

⁵¹

<http://wefo.wales.gov.uk/publications/publications/monitoringevaluation/programmevaluations/customerinsightsurvey2009/?lang=en>

The proposal within the OP is that the arrangements in terms of the Managing Authority, Certifying Authority, Audit Authority and the Payments body should be unchanged and therefore there is reason to believe that the good practice from the current Programmes can be retained and built on. The OP also contains a thorough explanation of the use of Technical Assistance, on which we have had no substantive comments to make.

At the same time, it is important to stress that in 2012 the Welsh Government commissioned a member of the Programme Monitoring Committee (PMC), Dr. Grahame Guilford, to review the administrative arrangements for the implementation of the ESI Funds for 2014-2020. Dr. Guilford published his report in March 2013, and this makes a series of 14 recommendations for improvements in the planning of Programme implementation (notably through developing an Economic Prioritisation Framework) and the actual implementation of the Programmes (including adopting a portfolio management approach, a review of guidance issued and a mobilisation phase for approved projects)⁵². While most of these recommendations will need to be implemented subsequent to the approval of the OP by the European Commission, all have been accepted by the Welsh Government and progress is being made on taking them forward.

Overall, therefore, we believe that there is reasonably strong evidence to suggest that WEFO as Managing Authority has adequate experience and capacity to take forward the OP effectively and is seeking both to build on good practice and identify shortcomings in programme management during the previous programming period.

Turning to the questions of administrative arrangements and the measures planned to reduce the administrative burden on beneficiaries, the relevant

⁵² An Independent Review of Arrangements for the Implementation of European Structural Fund Programmes 2014-2020, Dr. Grahame Guilford, March 2013.

<http://wales.gov.uk/docs/wefo/publications/130314guilfordreporten.pdf>

sections of the OP have been considered during the second and third iterations of the ex-ante evaluation and the more significant issues raised, with the responses received, are summarised in Table 8.1.

From our perspective, there are no outstanding issues to be dealt with, although clearly implementation arrangements will be critical here, particularly in relation to the assurance that Programme beneficiaries will have access to all legislative options in terms of simplified cost re-imbursement options.

Table 8.1: Main issues raised on administrative arrangements and the administrative burden on beneficiaries

Iteration	Comment	Action Taken in Response
Second	The need to demonstrate that representation on the Workstream Groups has been appropriate.	Membership lists provided and these demonstrate that the wider partnership has been appropriately represented.
Second	The need to reconsider the statement that the consultation process showed 'overwhelming support' for the proposed implementation arrangements.	Additional drafting changes made to address this issue.
Second	The need to make clear that overseeing evaluation will be a role of the PMC.	Reference to approving the Evaluation Plan added in the description of the PMC's role.
Second	The need to review references to social partners in order to make sure that they are consistent with the Regulations' definition of the term	Section redrafted to ensure this.
Second	The need to further evidence how efforts have been made in the current programming period to reduce the administrative burden on beneficiaries.	Additional material including references to the Customer Insight Survey added.
Second	The need to clarify ambiguity over whether Joint Action Plans (JAPs) are included in the commitment to make 'all legislative options' available to beneficiaries.	Clarification that JAPs are not regarded as relevant to this Section.
Second and Third	The need to consider if the issue of conflicts of interest within the PMC (where members also represent beneficiaries) should be more clearly addressed.	The drafting team argues that this should be dealt with in the Terms of Reference: a specific reference to this has been added to the OP text.

8.2 Monitoring and Evaluation Procedures

While the OP template does not require Managing Authorities to provide information on Monitoring and Evaluation procedures, we have had the opportunity to comment on WEFO's Monitoring and Evaluation Strategy for all ESI Programmes and believe this is compliant with the requirements of the Regulations.

We gave two sets of comments on the Monitoring and Evaluation Strategy. The main issues raised and the way in which they have been responded to are highlighted in table 8.2 below.

Overall, we take the view that WEFO has an experienced Research, Monitoring and Evaluation (RME) team in place with a strong track record of managing monitoring systems and commissioning evaluation.

Following our first iteration comments, a series of revisions were made in a number of areas to the revised strategy. Where no alterations were undertaken in light of our recommendations, reasoned accounts as to why our comments could not be accommodated were provided.

As a result, only one relatively minor point of relevance to the OP remains outstanding: we believe it would be useful to elaborate further on how WEFO might invoke additional powers to ensure that project sponsors comply with monitoring data and information requirements.

Table 8.2: Main issues raised on monitoring and evaluation procedures

Iteration	Comment	Action Taken in Response
First	Further detail on the human resources and administrative capacity to be involved in monitoring and evaluating the programmes would be beneficial.	Further detail has been added to the revised strategy relating to the capacity and capabilities of the RME team at WEFO. These additions provide assurance that adequate provision has been made for the monitoring and evaluation of the programmes.
First/Second	Further detail on how the co-operation of project sponsors will be secured in terms of monitoring and evaluation activity would strengthen the strategy.	Additional material has been added which addresses this point, including details of additional powers WEFO will have to insist that project sponsors submit relevant information. This has strengthened the strategy considerably, although further detail how WEFO might invoke its additional powers would be useful.
First	Further evidence detailing consideration of previous experience and possible 'bottlenecks' which might impede monitoring and evaluation would strengthen the strategy.	A section has been added to this effect which discusses the experiences of monitoring and evaluating the 2007-2013 programmes to date. This has strengthened the strategy and makes clear that well-established monitoring and evaluation systems will be in place for the 2014-2020 period.
First	Point of clarification relating to when the monitoring and evaluation strategy should be submitted to the Programme Monitoring Committee for their approval i.e. at the first meeting.	The revised text clarifies that the strategy will be submitted to the first meeting of the PMC for their approval.
First	Further detail on how and when the monitoring and evaluation strategy will be reviewed would strengthen the document.	Further detail on how and when the strategy will be reviewed has been added i.e. that it will be reviewed on an annual basis by the PMC.

First	Recommended that additional detail be provided on the procedures for monitoring and collecting necessary data to carry out evaluations to include reference to when appropriate advice, guidance and support might be provided to project sponsors.	Additional material has been provided which gives greater clarity as to how the RME team will support project sponsors to ensure adequate coverage and quality in terms of monitoring data.
First	Recommended that additional information on the scheduling of monitoring activities and the preparation of reports (including indicative budget allocation) should be provided to strengthen the strategy.	A timetable for the preparation of Annual (AIRs) has been added to the strategy, while WEFO argued legitimately that the timing of evaluations will predominantly be driven by activity measured by expenditure.

9.0 Horizontal Themes: Equal Opportunities

9.1 *The Equality Impact Assessment*

In this Section we first report on the findings of the Equality Impact Assessment (EIA) before turning to our review of the material within the OP.

As already noted, a core part of the ex-ante evaluation has been an EIA of all the ESI Programmes. Although not required by European legislation, the assessment supports the fulfilment of the Welsh Government's obligations under the Public Sector Equality Duty (PSED) to show due regard to characteristics protected under the Equality Act 2010⁵³.

An EIA report, covering this OP and the ESF OP for East Wales is being published in parallel with this report⁵⁴. The conclusions of the assessment are that:

- The way in which the development of the OP has been carried out demonstrates an integrated approach to equality on the part of WEFO and the Welsh Government and builds on a strong track record of integration of the Horizontal (or Cross-Cutting) Themes in the design of previous Structural Fund Programmes;
- Overall, the OP pays due regard to the protected characteristics. It should result in broadly positive impacts for people with protected characteristics and there are unlikely to be any disproportionate negative impacts on any protected characteristics;
- However, potential positive impacts will, in some cases, only be realised if measures are taken as part of Programme and project implementation to ensure appropriate focus and adequate accessibility;

⁵³ These are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race and ethnicity, religion or belief, sex, sexual orientation. The EIA also considered the Welsh Language, given legislative requirements in Wales.

⁵⁴ Ref

- The OP has the scope to contribute in an important way to the achievement of European, UK and Welsh political and strategic ambitions regarding equality – particularly the achievement of the aims of the PSED to tackle discrimination, promote equality of opportunity and (to a slightly lesser extent) foster good relations between social and demographic groups;
- A number of specific areas of intervention are specifically and appropriately targeted on equality groups, notably on gender equality in Priority Axis 2 and on young people throughout Priority Axis 3;
- In particular, the OP has the potential to raise the employment rate particularly amongst women, young people and older workers;
- While there is a strong track record of Programme level integration of equality, which is reflected in the OP, there still remains an acknowledged gap between the integration of equality considerations into Programme-level strategy and project-level implementation and delivery which will need to be addressed. A key next step will be for WEFO to work with projects and their sponsors to establish realistic and reliable mechanisms for monitoring and evaluating the impact of projects that are funded under the new Programme to ensure that the objectives of the ‘Equal Opportunities’ Theme are achieved.

9.2 *Equalities as a Horizontal Theme*

Besides the EIA, the ex-ante evaluation has also involved appraisal of the description of the Horizontal Themes in the OP documentation. This has involved first (at the time of the first iteration) commenting on a generic paper on the ‘Cross-Cutting Themes’ provided in late 2012 and then successive iterations on Section 11 of the OP template. In Table 9.1 we summarise comments made relating to equal opportunities at these different stages.

Table 9.1: Main issues raised on equal opportunities

Iteration	Comment	Action Taken in Response
First	The need for greater clarification of the relationship between the equal opportunities Cross-Cutting Theme and the proposed Poverty Cross-Cutting Theme; and whether socio-economic deprivation should be explicitly considered as part of the equal opportunities CCT.	The overall equality objectives have been redrafted to ensure stronger attention to poverty and socio-economic deprivation. The OP template does not allow for discussion of other Cross-Cutting Themes apart from those mandated by the Regulations, although the Welsh Chapter of the UK Partnership Agreement refers to Reducing Poverty and Social Exclusion as a Cross-Cutting Theme.
First	The need for greater evidence to support the claims for the effectiveness of approaches to integration in the current Programme.	This was provided in subsequent drafts.
First and Second	While recognising the different European legal bases in respect of gender equality and other equality issues, the need to ensure a seamless approach to equalities.	While the drafting team has worked hard to ensure these issues are addressed coherently, the format of the OP template precludes a wholly seamless approach.
Second	The need to review the key equality objectives to make them more specific and 'SMARTer'	Subsequent versions of the text have sharpened these considerably.

Overall, we have no outstanding issues with the information provided on the Equalities Horizontal Theme.

We note, however, that the OP (in Section 5) introduces Reducing Poverty and Social Exclusion as a third Cross-Cutting Theme but the OP template does not allow for this to be discussed within Section 11 (which deals with Horizontal Principles).

In this context, it is important to stress that the appropriateness or otherwise of this third Cross-Cutting Theme was a major subject of comment in the responses to the Consultation exercise: although there was general support for this, many respondents felt that tackling poverty needed to be a clearer focus of intervention in the Priority Axes⁵⁵. This has been addressed to some extent by the attribution of Priority Axis 1 to the Social Inclusion Thematic Objective alongside the commitment to include the promotion of social inclusion and combatting poverty as a Cross-Cutting Theme across all ESI Funds.

⁵⁵ European Structural Funds 2014 – 2020: Consultation Analysis, p. 36

10.0 Horizontal Themes: Sustainable Development

As noted in Section 1, the OP was subject to a screening exercise in accordance with the SEA Directive and on this basis, with the agreement of the relevant statutory bodies⁵⁶, it was concluded that a full SEA was not required because the proposed programme was unlikely to have significant environmental effects. The Screening Report did, however, emphasise that ‘reinforcing the environmental element of cross cutting themes will ensure that awareness raising and promoting good practice through training and guidance will be incorporated into project implementation’⁵⁷.

In this context, it is important to note that, as with equal opportunities, there is a significant track record of successful promotion by WEFO of the Cross-Cutting Themes (including environmental sustainability) particularly at the level of Programme strategy during the current Programmes⁵⁸.

Turning to the ex-ante appraisal, in Table 10.1 we summarise comments made relating to sustainable development during the three iterations on OP content. As will be evident from this, there has been a significant change in the approach between the second iteration (August 2013) and the final iteration (October 2013) and, while recognising the difficulty in the case of an ESF Programme of making specific, relevant commitments on sustainable development, we are concerned that the section of the OP as now drafted is rather high-level, though assurances are provided as to the processes to be undertaken in respect of Programme implementation. While reference has been made to the Welsh Chapter of the UK Partnership Agreement as providing important context, in our view this is also presented at a very generic level.

⁵⁶ At the time these were the Environment Agency Wales, the Countryside Council for Wales and CADW, though the first two of these have subsequently merged to become Natural Resources Wales.

⁵⁷ WWV ESF Strategic Environmental Assessment Screening Report, WEFO, 2012 p.6

⁵⁸ See for example: <http://wales.gov.uk/docs/wefo/report/110331processevaluationen.pdf>

Table 10.1: Main issues raised on sustainable development

Iteration	Comment	Action Taken in Response
First	The need to consider carefully the tensions between the Welsh Government and the European Commission definition of and approach to sustainable development.	Drafting revised in subsequent versions to address this point which is also dealt with explicitly in the Welsh Chapter of the UK Partnership Agreement.
First	The need for greater evidence to support the claims for the effectiveness of approaches to integration in the current Programme.	This was provided in subsequent drafts.
Second	The need for greater clarity as to what is meant by recycling and zero waste.	The references to recycling and zero waste have been removed.
Second	The need to review the key sustainable development objectives to make them more specific and 'SMARTer'.	These objectives were removed at the third iteration, and the drafting team argued that they could not be changed because they were policy objectives set by the Welsh Government.
Second and Third	The need for a stronger focus on 'selling' the benefits of adopting the Cross-Cutting Themes to projects.	Drafting amendments introduced to address this point.
Third	Need to reconsider whether to reinstate statement of key sustainable development objectives.	The drafting team argues that the Welsh Chapter of the UK Partnership Agreement provides contextual information about the Welsh Government's overall approach to sustainable development and that such material is not needed within the OP.

11.0 Conclusions

The ex-ante evaluation process has been thorough as well as highly iterative. The drafting team has taken care both to address methodically and, where possible, respond to the wide range of issues flagged up by the evaluators. As noted in section 1.2, in order to facilitate the submission of the OPs by WEFO at the earliest opportunity, we and the drafting team have worked to a timetable which meant that the final full iteration took place somewhat earlier than we would have wished. As a result, we have continued to make refinements to the ex-ante documentation following the final iteration, in preparation for the submission of the final OPs.

Overall, we believe that the OP as now drafted:

- Is based on a very sound and thorough socio-economic analysis and uses the evidence base appropriately;
- Is internally coherent in terms of the flow from the socio-economic analysis to the Programme strategy and the Priority Axes (and the choice of Thematic Objectives and Investment Priorities), is consistent with other relevant policies and programmes and is based on a sound and explicit Intervention Logic;
- Is consistent with the EU 2020 Strategy, the Common Strategic Framework and the Country Specific Recommendations for the UK, and will make a proportionate contribution to the EU2020 targets on the employment rate, young people and poverty;
- Uses appropriate indicators and has adopted a logical approach to the setting of targets and the performance framework;
- Has appropriate monitoring and evaluation processes in place;
- Is based on a justifiable allocation of budgetary resources;
- Is based on sound partnership working and builds on previous strengths in terms of programme management but is set in the context of efforts to improve implementation processes which have been perceived as problematic in the past;

- Is based on appropriate involvement of, and consultation with, individuals and bodies with expertise within the Horizontal Themes and has particular strengths in its approach to equal opportunities.

While generally endorsing the OP, there remain a small number of areas where we believe there is a case for further reflection:

- There may be scope for greater targeting and a still narrower focus on those parts of the labour market where employment and qualification outcomes are least likely to occur without intervention, in particular the long-term unemployed and inactive, low-skilled and part-time employees and employees of the smallest businesses;
- We continue to feel that the implied target for participants under Priority Axis 1 who are short-term unemployed is on the high side and that, given this, targets for participant numbers and results for this Priority Axis are perhaps too modest;
- We believe that there may be greater scope for addressing the market failure issue in a more robust way, for example, by stating specifically that ESF will not generally fund 100% of direct training costs for higher-level skills training for employed participants where training is relevant to their current employment;
- We continue to have some concerns that the issue of in-work poverty is not fully addressed, though we accept that in large part this is due to the difficulty of using ESF to address issues such as low pay and zero hours contracts;
- We have some concerns that – despite an increased emphasis on progression routes for those with no/low skills in the most recent version of the OP - the focus on intermediate level skills in Priority Axis 2 might risk underplaying the importance of working with those with no or only very low level qualifications who may, in the short term at least, be unable to progress to intermediate level qualifications and that focusing on a demand-led approach might lead to a perpetuation of current inequalities in terms of access to training;

- We continue to believe that some specific result indicators would be desirable, perhaps particularly in the context of the employed workforce in Priority Axis 2, where, in our view, the common indicators do not fully reflect the range of intended outcomes;
- Finally, in many instances success is clearly dependent on the details of Programme implementation. In particular,
 - While the OP states clearly the intention to ensure integration with other ESI Funds, much will depend on the implementation mechanisms put in place;
 - Achieving the targets set in respect of hard to reach groups will require a significant effort in terms of Programme and project implementation.

However, we accept that all these issues have been well rehearsed during the course of the evaluation and respect the counter-arguments that have been put forward, including the importance of retaining flexibility given the time-horizon of the Programming period. In our view, such remaining differences of view are legitimate and in no way undermine the quality of the work undertaken in developing the OP.

ANNEX 1: COMMENTS LOG TEMPLATE

Ex Ante Evaluation

Analysis Report

Document Overview

Document Title:	
Author/Originator:	
Version Control:	
Date Received by Evaluators:	
Response Date:	
Review Undertaken by:	
Quality Checked by:	

Evaluator Summary

Specific Comments/Analysis

Bibliography/Supporting Reference Material

