

# Convergence – ESF

Europe and Wales: Investing in your future

West Wales and the Valleys  
Convergence

Operational Programme

European  
Social Fund

2007-2013



Welsh European Funding Office

**Welsh European Funding Office**

**West Wales and the Valleys  
Convergence Programme**

**Operational Programme For The  
European Social Fund**

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## **Executive Summary**

### **Introduction**

The agreement of the European Council and the European Parliament on the EU budget for 2007-2013 means that West Wales and the Valleys will receive “Convergence” funding – the highest level of support available under the next round of Structural Fund programmes. West Wales and the Valleys qualifies for this support because at the time of the European Union (EU) budget agreement in December 2005, the region’s average Gross Domestic Product (GDP) per head was just below 75% of the European GDP average – the qualification limit.

This provides West Wales and the Valleys with a major opportunity to build on the very significant progress made under the Objective 1 programme 2000 – 2006 and to complete the transformation from a region suffering protracted economic problems into a strong and sustainable economy.

The region will receive total Community funding of €2.08 billion to support Convergence programmes worth over €4 billion. This ESF Convergence programme will receive Community funding of €833 million (40% of the total). When this is combined with national public and private funding, the programme will provide €1.50 billion to boost growth and jobs over the period 2007-2013.

### **Vision**

Our vision for West Wales and the Valleys is of a vibrant, entrepreneurial region at the cutting edge of sustainable economic development, with its people living in prosperous, strong, healthy, safe, and where relevant, bilingual communities within an ever improving natural environment.

Our ambition is for West Wales and the Valleys to be at the forefront of the EU’s drive to be a beacon of economic, social and environmental progress to the rest of the world. West Wales and the Valleys will be a world-class exemplar of a region of 1.9 million people, at the geographical periphery of Europe, but thriving in competitive world markets and providing a world-class environment in which people want to live, work and play.

### **Analysis**

The analysis shows that the West Wales and the Valleys economy has improved considerably in recent years, continuing its transformation from a long period of economic change that saw the disappearance of much traditional industry. Over recent years, the region has experienced considerable improvements in labour market conditions, with increasing employment, falling unemployment and growth in earnings across the region.

However, there is still much to be done to reduce economic disparities with the rest of Wales and the UK and to achieve full convergence with other parts of the EU. The region’s relatively low GVA (Gross Value Added) per head is primarily attributable to two main factors - a higher proportion of the working age population

not being in employment and lower value-added per worker, reflecting in part the region's industrial composition. A further factor is the inability to benefit from strong agglomeration effects, due to Welsh towns and cities being relatively small and much of the region being sparsely populated and distant from major centres.

Despite improvements in the labour market, the employment rate in the region remains below the Welsh and UK averages, mainly due to higher levels of economic inactivity. Rates of economic inactivity are higher amongst certain disadvantaged groups and amongst certain communities across the region, in particular the Valleys of South Wales. It is increasingly evident that falling demand for unskilled labour is at the heart of the region's relatively high economic inactivity levels.

Lower value-added per worker (or output per job) across West Wales and the Valleys can be partially explained by the region's industrial composition, rather than the region's workers being less productive than UK and EU counterparts. A further factor is the lower skill levels across the region, with higher levels of the working age population with low basic skills and with identified skills gaps and shortages, particularly at intermediate levels.

Delivering effective public services is also important to sustainable economic growth. Current performance is patchy and the nature of demand is changing. Businesses and communities need better services to support economic regeneration.

Other benchmarks of competitiveness indicate a need to further increase levels of entrepreneurship, R&D and ICT utilisation in order to continue the transformation of the region towards the knowledge economy; and the need to address some of the inadequacies in infrastructure and create an attractive and sustainable environment. These issues are addressed in the complementary ERDF Convergence programme for West Wales and the Valleys.

## **Policy Context**

The new Structural Fund programmes for 2007-2013 will have a stronger focus on the Lisbon and Gothenburg agenda for growth, jobs and sustainable development as set out in the *Community Strategic Guidelines for Cohesion* approved by Member States. The objectives and priorities of the West Wales and the Valleys Convergence programmes are consistent with the Lisbon and Gothenburg strategies and have been developed in the context of the *UK National Strategic Reference Framework (NSRF)* which explains how the Structural Funds will contribute to the overall *UK National Reform Programme (NRP)* for growth and jobs.

To maximise the impact from the Structural Funds, the Convergence programmes will be aligned with relevant Welsh Assembly Government policies for delivering sustainable growth and jobs. These include:

- *Wales: A Better Country* – the Welsh Assembly Government's broader strategic policy agenda;

- *Wales: A Vibrant Economy* – the economic development strategy for Wales;
- *The Learning Country 2: Vision into Action* – the education and lifelong learning strategy for Wales;
- *The Wales Skills and Employment Action Plan 2005*;
- *Making the Connections – Delivering Better Public Services in Wales* – the strategy for improving public services in Wales.
- *The Wales Spatial Plan*;
- *The Wales Sustainable Development Scheme – Starting to Live Differently*;
- *The Environment Strategy for Wales*; and
- *Mainstreaming Equality*.

## **Strategy**

The overall aim of the ESF Convergence programme is:

To create a high skill, knowledge driven economy, with full employment, a skilled, adaptable workforce and responsive businesses, at the cutting edge of sustainable development.

The key drivers to achieving this through the ESF programme are by:

- (a) Supplying young people with skills for learning and future employment;
- (b) Increasing employment, in particular by tackling economic inactivity;
- (c) Improving skills to help businesses to move continually up the value chain and increase the value-added per job, thereby raising productivity and earnings; and
- (d) Modernising and improving the quality of our public services.

The success of the Programme will be assessed on tracking progress against a range of economic and skills indicators set out in *Wales: A Vibrant Economy* and the *Learning Country 2*, notably employment, qualification levels and GVA, in absolute terms and relative to other parts of the UK and EU. Indicators and targets for individual priorities will also be closely monitored and will be grossed up to provide programme level targets. The Operational Programme will also be subject to evaluation.

## **Priorities**

The programme will be implemented through a simplified structure comprising four main priorities plus a Technical Assistance priority.

### **Priority 1: Supplying young people with skills for learning and future employment**

*Objective* - to prepare young people for future employment by raising aspirations and increasing participation in learning.

### **Priority 2: Increasing employment and tackling economic inactivity**

*Objective* – to raise levels of employment and economic activity, and secure higher participation in the labour market.

### **Priority 3: Improving skill levels and the adaptability of the workforce.**

*Objective* – to improve skills levels amongst the workforce, tackle skills gaps and shortages, support the progression of workers through acquisition of low, intermediate and higher levels skills, and promote gender equality in employment.

### **Priority 4: Modernising and improving the quality of our public services - Making the Connections**

*Objective* – to support targeted investments in public services to make them more customer focused, flexible, integrated, efficient and ambitious.

A separate Technical Assistance priority (Priority 5) will ensure the efficient and effective management of the Programme.

## **Cross Cutting Themes**

The Cross-Cutting themes of Equal Opportunities and Environmental Sustainability will be fully integrated into these priorities. The Programme will also support Innovative Actions and Transnational/Inter-regional Co-operation.

## **Financial Allocation**

94% of ESF Convergence resources will be targeted at those categories of investment which will contribute most to achieving the Lisbon objectives for growth and jobs as defined in EU General Regulation [1083/2006], Article 8.

Detailed financial allocations by Priority and indicative allocations by theme are set out in Chapter 7 – Financial Allocations, within the main Programme document.

## **Implementation**

The programme has been developed in partnership and will also be implemented in partnership. A single Programme Monitoring Committee (PMC) will oversee the

implementation of the Convergence and the Regional Competitiveness programmes in Wales. Strategic Frameworks will strengthen programme delivery and ensure projects are focused on key headline objectives and targets. There will also be a stronger emphasis on regional collaboration in the development of strategies and projects, in the context of the Wales Spatial Plan.

## Chapter 1: Introduction

1.1 This Convergence Operational Programme sets out the Welsh Assembly Government's strategy and priorities for the economic, social and environmental regeneration of West Wales and the Valleys over the period 2007–2013, with the support of the European Social Fund (ESF). It is supported by a separate but complementary European Regional Development Fund (ERDF) programme. Acting together, these programmes will have a catalytic effect in extending and enhancing the Welsh Assembly Government's own strong commitments to the Lisbon and Gothenburg reform agenda.

1.2 The Convergence Operational Programmes have been developed in the context of the Integrated Guidelines for Growth and Jobs (2005 – 2008), and the Community Strategic Guidelines (2007 -2013) which set out cohesion policy objectives at EU level. The programmes complement the strategic priorities and objectives set out in the UK *National Strategic Reference Framework* and will contribute directly to addressing the challenges set out in the UK *National Reform Programme for Jobs and Growth*, with the aim of delivering long-term sustainable growth, high employment and a fair and inclusive society.

1.3 The ESF Convergence Programme will promote a close alignment between EU and national policies for jobs and growth. The Wales economic development strategy, *Wales: a Vibrant Economy* provides strategic direction towards a vibrant economy delivering strong and sustainable economic growth by providing opportunities for all. It has a clear focus on the Lisbon objectives of improving economic growth and providing additional jobs for the people of Wales, taking forward the priorities in *Wales: A Better Country*.

1.4 The main policy framework on employment and skills is set out in *The Learning Country 2: Vision into Action*, alongside the *Skills and Employment Action Plan 2005*, and *Reaching Higher*. The Welsh Assembly Government wants Wales as a place where high quality, lifelong learning liberates talent, extends opportunities, empowers communities, provides better jobs and skills to enable people to prosper in the new economy, and creates a sustainable future for Wales as a whole. To achieve this vision, these strategies recognise the need to increase employment levels, particularly by tackling economic inactivity, and to improve the skill levels of the workforce to support higher value-added jobs, and to contribute to the development of the knowledge economy.

1.5 These considerations lead to an emphasis within the ESF Operational Programme on:

- supplying young people with the skills for learning and future employment;
- encouraging unemployed and economically inactive persons to enter the labour market;

- improving skill levels and the adaptability of the workforce; and
- modernising and improving the quality of our public services.

1.6 The ESF Convergence Operational Programme builds on the extensive consultation that has taken place with a wide range of partners and stakeholders over recent months to shape the direction of the new European Structural Fund programmes.

## Chapter 2: Analysis

### Executive Summary

2.1 The aim of the European Social Fund (ESF) is to strengthen economic and social cohesion by improving employment opportunities. Specifically ESF funding is designed to increase economic growth, by promoting employment and adaptability, and by enhancing human capital.

2.2 Within the range of ESF priorities this analysis highlights specific challenges for Wales and its regions. Given this, and in accordance with the objectives of the Community in relation to social inclusion, non-discrimination, the promotion of equality, education and training and to better contribute to the implementation of the objectives and targets of the Lisbon and Gothenburg European Councils, the analysis is presented in the following sub-sections:

- Demographic Trends – highlighting how the population across Wales has changed and the implications these changes have on the labour market and wider economic prospects.
- Access to employment and inclusion in the labour market – providing a headline overview of labour market conditions including issues relating to specific constraints and accessibility.
- Social inclusion of people at a disadvantage – describing specific issues for those disadvantaged in the labour market. This includes analysis, where available, of labour market trends by gender, age, ethnicity and for those with a disability. This disaggregated analysis provides an overview of whether particular groups of society are disadvantaged in the labour market and a summary of some of the reasons underlying any disadvantage using empirical evidence where available, and focussing in particular on younger people.
- Human capital –providing analysis of the skills of the Welsh population are assessed together with a review of the importance of skills in determining labour market outcomes. This analysis provides a focus on the role of education in labour market outcomes especially for individuals from disadvantaged backgrounds.
- Deprivation – Review of spatial deprivation in Wales and the potential for administrative capacity to improve the quality of public services in Wales. In addition, aspects of the environment that affect the quality of life for individuals are also assessed.

2.3 The analysis provides the evidence for our strategy and proposed interventions via the ESF. These will take forward the guidelines and recommendations made under the *European Employment Strategy (EES)* which reflecting the Lisbon agenda aims to achieve full employment, improve quality and productivity at work and enhance social and territorial cohesion. The analysis presented highlights the

progress Wales and its sub-regions have made in relation to a number of headline targets set in the EES including targets to increase participation in lifelong learning.

2.4 The analysis also examines the underlying strengths and weaknesses of the Welsh labour market of West Wales and the Valleys which sets the scene for programming in the context of the Lisbon agenda and the UK's *National Reform Programme*.

2.5 West Wales and the Valleys covers an area of 1.24 million hectares (around 12,400 km<sup>2</sup>), comprising a population of some 2.9 million. The mountains of Wales are the most significant relief feature, covering more than half of the country and dominating the appearance of the landscape. Approximately 80% of the total area of Wales is designated as Less Favourable Areas, which parallels closely the mountainous and upland areas within Wales. West Wales and the Valleys is a diverse area of Wales where approximately 65% of the total population of Wales reside. The West Wales and the Valleys region includes the following local authorities:

- Isle of Anglesey;
- Gwynedd;
- Conwy;
- Denbighshire;
- Ceredigion;
- Pembrokeshire;
- Carmarthenshire;
- Swansea;
- Neath / Port Talbot;
- Bridgend;
- Rhondda, Cynon, Taff;
- Merthyr Tydfil;
- Caerphilly;
- Blaenau Gwent; and
- Torfaen.

2.6 The relevant eligible areas are illustrated in the West Wales and the Valleys Convergence region map, Figure 1 below.

**Figure 1. Map of the West Wales and the Valleys Convergence Programmes area**



2.7 The analysis presented in this chapter provides an overview of the Welsh labour market in accordance with the Community Strategic Guidelines with a particular focus on the priority of creating more and better jobs across Member States. In addition to the headline all-Wales overview the analysis highlights particular issues at the regional level with a particular emphasis on common themes and differences between the Convergence and Competitiveness and Employment Programme areas of Wales with some additional local level analysis within.

2.8 The analysis in this chapter utilises a range of data sources. At the EU level the Eurostat Regio database has been used to highlight Wales and sub-Wales level data in the context of European wide data and trends. Data from the UK's Office for National Statistics has been used to provide specific UK, Wales and sub-Wales data. This has been supplemented by reference to academic research in the field of labour and social economics to provide evidence of the underlying reasons for statistical trends.

## **Introduction**

2.9 This analysis provides a more detailed appraisal of the demographic structure and labour market conditions that underpin the development of the Convergence and Regional Competitiveness and Employment ESF programmes. It provides an analysis of the strengths and weaknesses for Wales as a whole, with further sub-regional analysis for both West Wales and the Valleys and East Wales.

2.10 Headline economic performance is conventionally measured by Gross Domestic Product per head of population<sup>1</sup>. Across West Wales and the Valleys GDP per head stands at approximately 77% of the average for the 25 countries of the European Union as a whole and 84% of the Welsh average. GDP per head for East Wales stood was 18% above the average for the 25 countries of the European Union.

2.11 The importance of demographic structure and labour market conditions are highlighted in the analysis of the prosperity gap between Wales and the UK as a whole<sup>2</sup>. Between 2001 and 2003 GVA<sup>3</sup> per head across West Wales and the Valleys stood at £10,100 compared to £12,100 across Wales, £15,400 across the UK as a whole and £15,600 across East Wales. Analysis of the components that contribute to overall economic performance show that approximately 35% of the overall gap in GVA per head in Wales compared to the UK average is explained by adverse labour market conditions (employment to working age ratio and jobs to employment ratio),

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<sup>1</sup> It is widely recognised that GDP per head may not fully reflect wider welfare or quality of life factors. However, it does provide a useful measure of economic performance within each time period.

<sup>2</sup> Welsh Assembly Government's *Wales: A Vibrant Economy*, Strategy for Economic Development, 2005: <http://www.wales.gov.uk/subitradeindustry/content/wave/wave-e.htm>

<sup>3</sup> GVA is calculated as GDP minus indirect taxation and subsidies. Data comparing Wales to the EU average is only available as GDP per head.

with a further 10% of the overall gap explained by Wales having a slightly larger dependent population<sup>4</sup>.

2.12 Figure 2 below shows the results of this analysis. Overall variations in GVA per head can be broken down principally into differences in:

- the proportion of the population that is of working age;
- the proportion of the working age population that is actually in work;
- the proportion of the working age population that work in a given area (reflecting commuting patterns); and
- the average output or value-added per job<sup>5</sup>.

2.13 The lower employment to working age ratio (the employment rate) explains approximately 25% of the overall gap in GVA per head in Wales compared to the UK average. Approximately 10% is explained by Wales having a lower jobs-to-employment ratio. This is in part a consequence of commuting patterns in Wales with individuals resident in Wales working outside the region for employment. The orange section of Figure 2 shows that GVA per head in Wales is less than the UK average because Wales has a lower proportion of working age individuals than the UK as a whole. That is, Wales has a larger proportion of dependents in the population than the UK average.

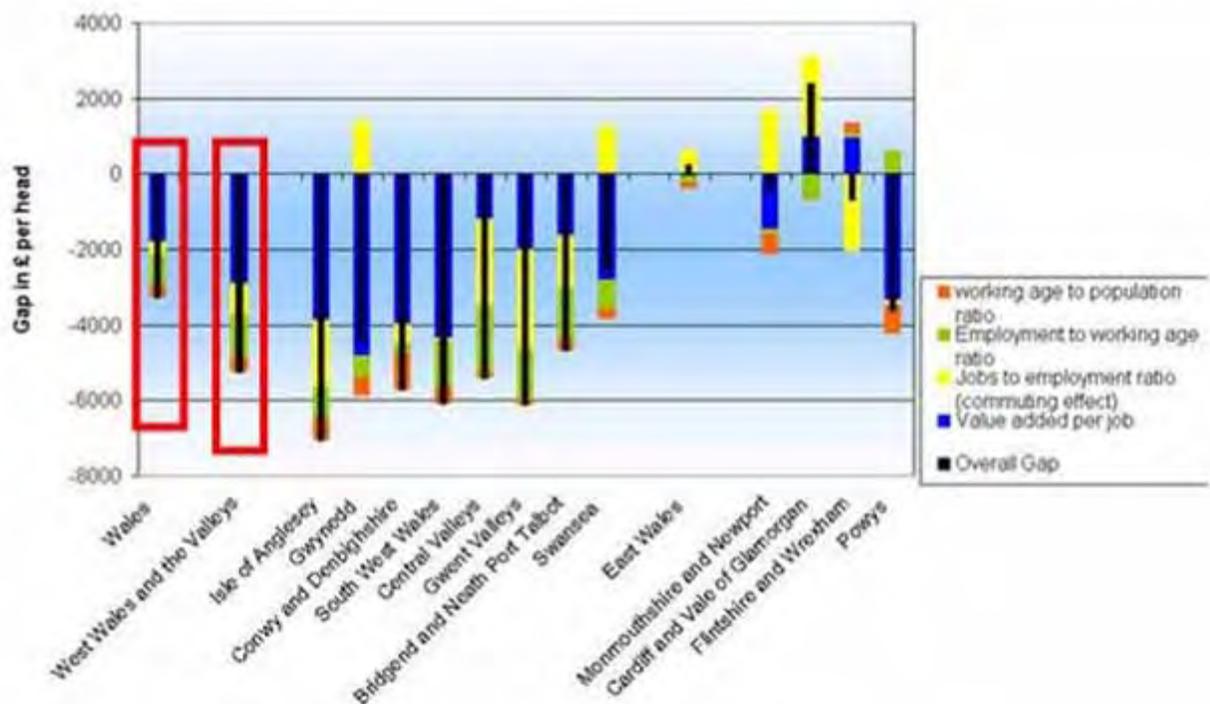
2.14 Figure 2 shows some interesting differences between West Wales and the Valleys and East Wales. GVA per head in West Wales and the Valleys is approximately £5,300 lower than across the UK as a whole. The majority of this gap is explained by lower value-added per job. Labour market conditions (lower employment to working age ratio in particular) explain the majority of the remaining gap. GVA per head in East Wales is approximately £250 higher than across the UK as a whole. Despite East Wales having lower value added per worker and a lower employment rate, these are more than off-set by a higher jobs-to-employment ratio.

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<sup>4</sup> Relative dependency of the population is calculated by the ratio of working age individuals compared to the total population.

<sup>5</sup> Often referred to as productivity, although as illustrated later in the document, referring to productivity differences can be misleading, as productivity measures do not account for the industrial structure of the economy.

**Figure 2. Analysis of GVA per head differences across Wales compared to the UK average, 2001–2003 average**



Source: Welsh Assembly Government based on ONS data

2.15 Figure 2 shows that enhancing the employment opportunities for individuals in Wales and maximising the potential of the Welsh population are key considerations in closing the gap in GVA per head in Wales compared to the UK average. Within this analysis it is important to understand the differing performance of sub-regions within Wales and the differing needs of individuals, in particular, those currently disadvantaged and those suffering from poverty and deprivation.

2.16 Table 1 provides a summary of the data supporting Figure 2. The data shows the overall contribution each factor has on explaining the lower/higher GVA per head of population compared to the UK average. The data in Table 1 have been rounded to the nearest 5% since this analysis is provide to indicate broad rather than to specific estimates of the extent the factors explain differences in GVA per head.<sup>6</sup>

<sup>6</sup> Further details on the methodological approach are available in Welsh Assembly Government's *Wales: A Vibrant Economy*, Strategy for Economic Development, 2005: <http://www.wales.gov.uk/subitradeindustry/content/wave/wave-e.htm>

**Table 1: Contribution of the factors that explain GVA per head differentials, Percentage of total gap**

	<b>GVA per workforce job</b>	<b>Jobs to employment</b>	<b>Employment to working age</b>	<b>Working age to population</b>
Wales	-55%	-10%	-25%	-10%
West Wales and the Valleys	-55%	-15%	-20%	-10%
East Wales	-0.5%	+250%	-60%	-70%

#### Demographic trends

2.17 Table 2 shows key demographic trends in Wales and the overall age profile of the Welsh population. Overall, there are just under three million people resident in Wales according to the Mid-2004 population estimates.

2.18 Approximately 65% of the Welsh population live in the NUTSII<sup>7</sup> area of West Wales and the Valleys, with the remaining 35% living in East Wales. As Table 2 shows, Wales (especially West Wales and the Valleys) has a higher proportion of individuals in the upper age brackets, particularly in the 60-69 and 70+ age brackets than compared to the UK as a whole.

2.19 In total some 60% of the total population of Wales is of working age, with approximately 20% aged under 16 and 20% in post-retirement ages. There is some slight difference within the sub-regions of Wales, with East Wales having a slightly higher proportion of the total population in the working age bracket than West Wales and the Valleys (61% versus 59%) and a slightly lower proportion of individuals in the post-retirement age bracket (19% versus 21%).

<sup>7</sup> Nomenclature of Territorial Units for Statistics. Further details are available at: [http://europa.eu.int/comm/eurostat/ramon/nuts/introduction\\_regions\\_en.html](http://europa.eu.int/comm/eurostat/ramon/nuts/introduction_regions_en.html)

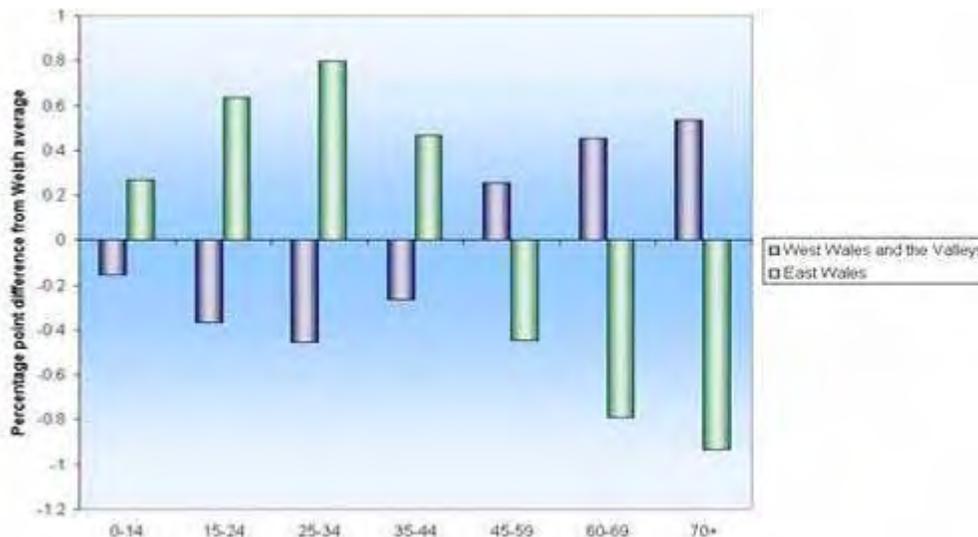
**Table 2: Population by age group, 2004**

	<i>Age group</i>							<b>Total</b>
	<b>0-14</b>	<b>15-24</b>	<b>25-34</b>	<b>35-44</b>	<b>45-59</b>	<b>60-69</b>	<b>70+</b>	
<b>Thousands</b>								
East Wales	197	147	133	159	209	105	126	1,077
West Wales and the Valleys	336	238	208	263	378	206	247	1,896
Wales	533	385	342	422	587	311	373	2,953
UK	10,866	7,720	7,937	9,192	11,518	5,716	6,885	59,834
<b>Percentage of total</b>								
East Wales	18.3	13.7	12.4	14.8	19.4	9.8	11.7	100.0
West Wales and the Valleys	17.9	12.7	11.1	14.0	20.2	11.0	13.2	100.0
Wales	18.0	13.0	11.6	14.3	19.9	10.5	12.6	100.0
UK	18.2	12.9	13.3	15.4	19.2	9.6	11.5	100.0

Source: ONS Mid-2004 population estimates

2.20 Sub-regional analysis shows that East Wales has a similar age profile as the UK, with a slightly higher proportion of individuals in the 15-44 age bracket. West Wales and the Valleys, however, has a lower proportion of individuals in the 44 and under age brackets, and a higher proportion of individuals in the 45 and over age brackets. Figure 3 shows the differences in the age composition of East Wales and West Wales and the Valleys compared to Wales as a whole.

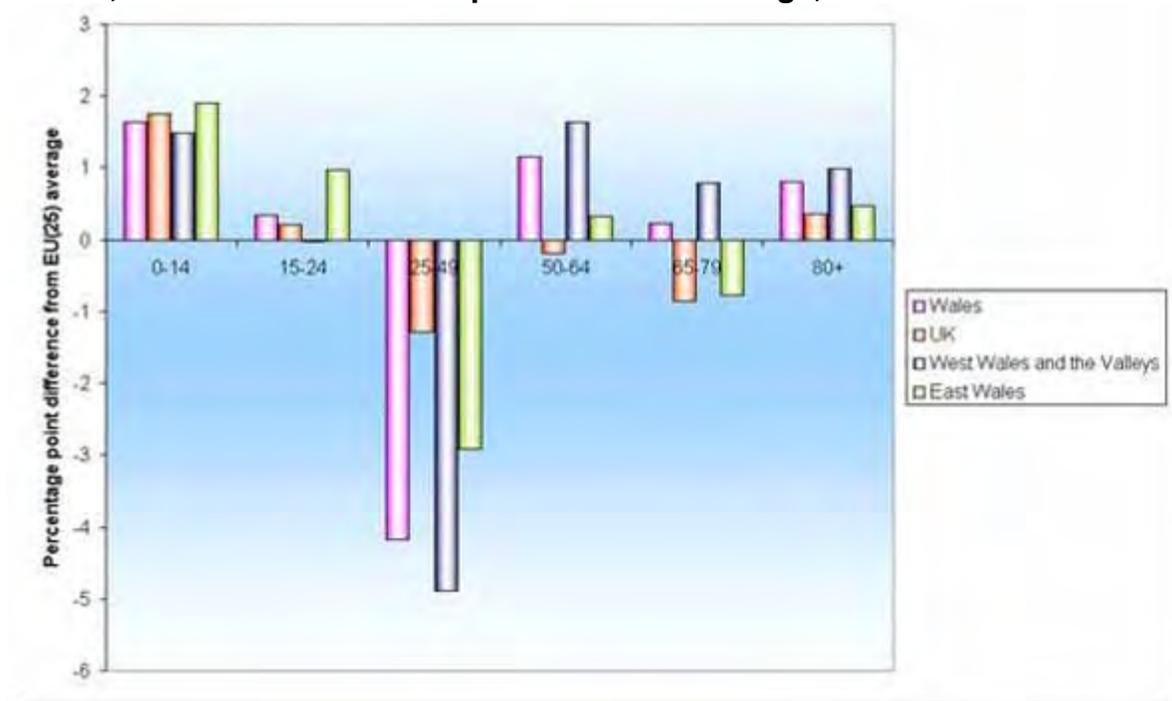
**Figure 3. Population age profile percentage point difference in age group shares, West Wales and the Valleys and East Wales compared to Welsh average, 2004**



Source: Mid-year population estimates, Office for National Statistics

2.21 Figure 4 below compares the age profile of West Wales and the Valleys, East Wales, Wales and the UK compared to the average for the EU25. As Figure 4 shows, Wales and the UK have a relatively low concentration of individuals in the prime working age bracket 25-44. This is particularly the case for West Wales and the Valleys. Compared to the EU25 average, Wales has a relatively high concentration of individuals in the upper age brackets, typically, post-retirement ages. The sub-regions of Wales, Wales and the UK have a relatively high concentration of children compared to the EU25 average.

**Figure 4. Population age profile percentage point difference in age group shares, Wales and the UK compared to EU25 average, 2004**



Source: Mid-year population estimates, Office for National Statistics and Eurostat

2.22 Demographic patterns and in particular migration can provide an insight into the relative attractiveness of an area for individuals<sup>8</sup>. Table 3 shows that since 1981 the population of West Wales and the Valleys has increased by 2.3%, but for the period 1991–2001, the population growth ceased while in East Wales it continued to grow at the 1981–1991 growth rate (3.8%). Across all the time periods shown, population growth in West Wales and the Valleys lagged that for East Wales and consequently for Wales as a whole.

<sup>8</sup> It must be noted that migration patterns are a factor of various interactions and not just relative attractiveness.

**Table 3: Population change since 1981**

	Level (000s)				Change (Percentage)			
	1981	1991	2001	2004	1981-1991	1991-2001	1981-2004	1991-2004
East Wales	980	1,017	1,056	1,077	3.8	3.8	9.9	5.9
West Wales and the Valleys	1,834	1,856	1,855	1,876	1.2	-0.1	2.3	1.1
Wales	2,814	2,873	2,910	2,953	2.1	1.3	4.9	2.8

Source: Census, Mid-Year Population Estimates

2.23 Figure 5 below, shows the population change between 1991 and 2004<sup>9</sup> according to broad age breakdowns. A key consideration in the analysis is the proportionate increase in the working age population since this has a strong correlation to the overall dependency ratio<sup>10</sup> of the population.

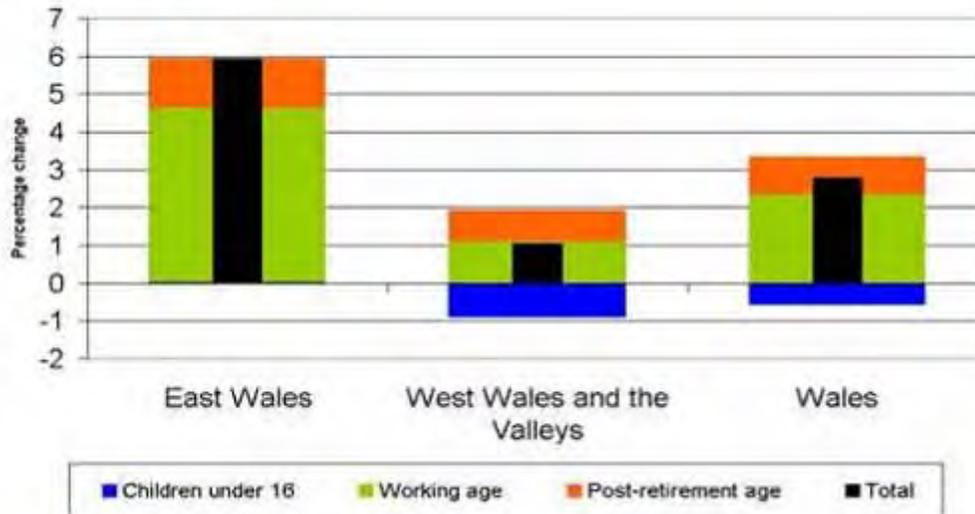
2.24 Like Wales as a whole, West Wales and the Valleys experienced a reduction in the child population during the period. Proportionately, this fall, however, was greater in West Wales and the Valleys than across Wales as a whole. Unlike East Wales and Wales as a whole, the proportionate increase in the post-retirement age population across West Wales and the Valleys was almost as large as that for the working age population. This trend is due to the relatively small increase in the working age population across West Wales and the Valleys rather than the relative change in the post-retirement population.

2.25 While East Wales experienced a small increase in the child population, the greatest increase was observed in the working age population accounting for nearly 80% of the growth over the period.

<sup>9</sup> Data for specific age groups for 1981 was not available for the geographies selected, therefore 1991-2004 was chosen for the analysis.

<sup>10</sup> Relative dependency of the population is calculated by the ratio of working age individuals compared to the total population.

**Figure 5. Age breakdowns of population change, 1991–2004**



Source: Mid-year population estimates, Office for National Statistics

2.26 Table 4 below shows the components of population change across Wales, West Wales and the Valleys and East Wales. It identifies that Wales' natural population is falling, that is deaths exceeds births. This trend is a common phenomenon across most of the developed world and results in birth rates below the required replacement rate for the population to remain broadly constant<sup>11</sup>. Against this general trend, the number of births exceeded the number of deaths in East Wales. This increase was predominately concentrated in the city regions of Cardiff and Newport.

**Table 4: Components of population change, 2001–2004**

	Mid-2001 population	Live births	Deaths	Natural change	Net migration and other changes	Total change	Mid-2004 population
East Wales	1,056	35	33	2	20	22	1,077
West Wales and the Valleys	1,855	58	67	-9	29	21	1,876
Wales	2,910	93	99	-7	49	42	2,953

Source: Office for National Statistics  
(Totals may not add due to rounding)

2.27 The Government's Actuary Department produce population projections. The latest projection for Wales shows that net in-migration is expected to continue to be the key driver of population growth across Wales. Between 2004 and 2024 the

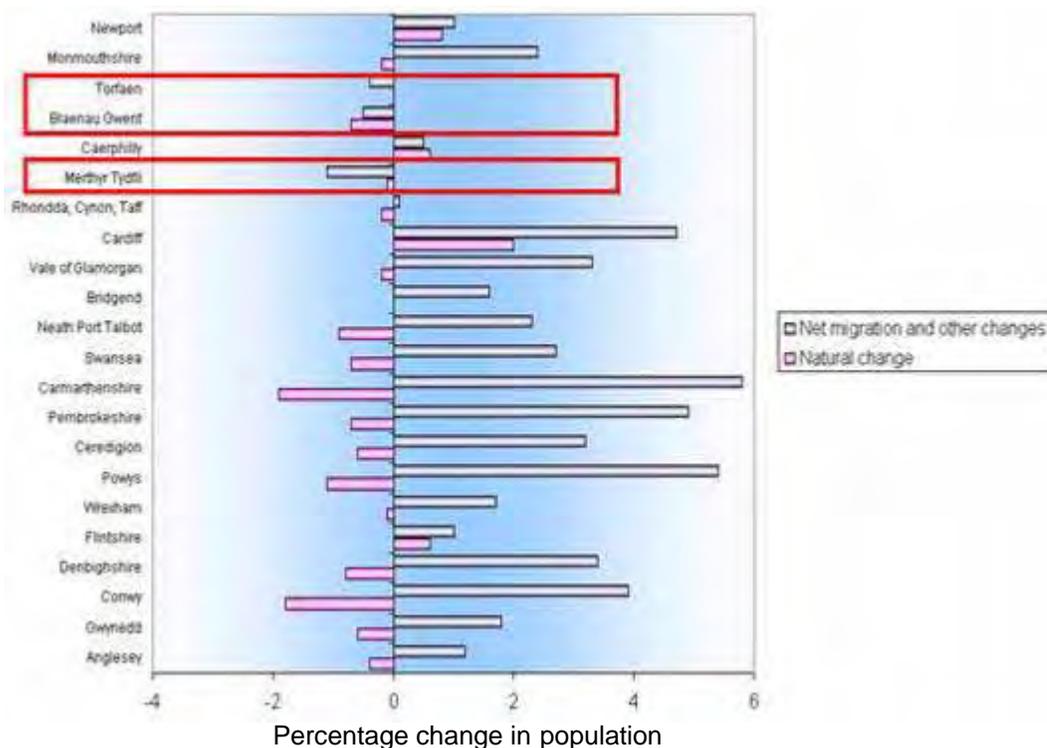
<sup>11</sup> If the average woman has less than 2 children then the number of second generation will be less than the current generation, thus the second generation does not 'replace' the previous generation.

population of Wales is predicted to increase by approximately 239,000 people, of which 234,000 is predicted to be due to net in-migration with the remaining 5,000 due to the number of births exceeding the number of deaths, which is contrary to the recent trend shown in Table 4. The number of children aged 16 and under, and the number of dependent children, is predicted to fall with a rise in the number of dependent pensioners.

2.28 The main driver of population change across Wales is net in-migration and other changes more than offset the natural population decline. Within West Wales and the Valleys, however, net out-migration is a feature of the upper valleys (with low in-migration and some out-migration),<sup>12</sup> while most other areas experience net in-migration.

2.29 The sub-Wales analysis is presented in Figure 6. It shows that the only Local Authorities in Wales that experienced net out-migration were Torfaen, Blaenau Gwent and Merthyr Tydfil, all located in the upper South Wales Valleys. Migration patterns can be important as they can provide an insight into the relative attractiveness of an area for individuals<sup>13</sup>.

**Figure 6. Local Authority analysis of population change, 2001–2004**



Source: Office for National Statistics

<sup>12</sup> Defined as the Local Authorities of: Blaenau Gwent; Merthyr Tydfil and Torfaen.

<sup>13</sup> It must be noted that migration patterns are a factor of various interactions and not just relative attractiveness.

2.30 Table 5 shows net migration according to age bands. This Table shows that West Wales and the Valleys is a net gainer in population for all age bands except 16-24, which is mostly explained by student migration to universities. East Wales is a net gainer of population from migration across each age band including the 16-24 age bracket and this is partially explained by the large student population centred around Cardiff University. The pattern for Wales is much the same as other regions of the UK except London and the South East. Linked to the above net out-migration the overall population of individuals aged 11-25 across Wales as a whole (sub-Wales data not available for this time period) between 1981 and 2004 has fallen by 11.2%. Between 1991 and 2004 the population of individuals aged 11-25 across West Wales and the Valleys fell by 2.1% compared to a rise of 4.7% across East Wales.

2.31 Net in-migration from England is driving the overall trend both across West Wales and the Valleys and East Wales. An interesting trend is the net out-migration from East Wales to West Wales and the Valleys. This is driven in the main by large migration flows of people from Cardiff to areas in Caerphilly, Rhondda Cynon Taff and Bridgend. Of particular note is the net in-migration of individuals of working age. Evidence<sup>14</sup> suggests that working individuals with higher skills are more socially mobile<sup>15</sup>. This might suggest that Wales is likely to benefit economically from in-migration of working age individuals. Recent evidence from Experian's Mosaic database<sup>16</sup> shows that Wales has a high representation of in-migration from career professionals living in sought after locations which has a strong association with the attractiveness of a location for employment prospects but also quality of life factors.

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<sup>14</sup> Gibbons, S et al, 2005, Is Britain Pulling Apart? Area Disparities in Employment, Education and Crime, Centre for Market and Public Organisation Working Paper 05/120, published in N. Pearce and W. Paxton (eds.) *Social Justice, Building a Fairer Britain*, Institute of Public Policy Research: <http://www.bris.ac.uk/Depts/CMPO/workingpapers/wp120.pdf>

<sup>15</sup> Social mobility measures the degree to which people's social status changes between generations.

<sup>16</sup> Further details are available at:

<http://www.business-strategies.co.uk/Products%20and%20services/Micromarketing%20data/Consumer%20segmentation/Mosaic.aspx>

**Table 5: Average annual net migration trends area analysis, 2002–2004**

<b>Age band</b>	<b>East Wales to West Wales and the Valleys</b>	<b>England to West Wales and the Valleys</b>	<b>Net in-migration to West Wales and the Valleys</b>	<b>West Wales and the Valleys to East Wales</b>	<b>England to East Wales</b>	<b>Net in-migration to East Wales</b>	<b>Net migration to Wales</b>
0-15	360	2,240	2,590	-360	1,030	672	3,262
16-24	-670	-820	-1,490	670	430	1,099	-391
25-44	530	2,350	2,880	-530	1,450	920	3,800
45-64	490	4,020	4,520	-490	1,380	887	5,407
65+	170	1,010	1,170	-170	360	194	1,364
<b>All ages</b>	<b>880</b>	<b>8,800</b>	<b>9,670</b>	<b>-880</b>	<b>4,650</b>	<b>3,772</b>	<b>13,442</b>

Source: Office for National Statistics

2.32 Within Wales the largest net movements are between South East Wales and the Valleys with an average annual net flow of 680. The second largest flow is between the Valleys and South West Wales<sup>17</sup> with an average annual net movement of 600 people from the Valleys moving to South West Wales. Migration patterns within Wales are typically North to South with average annual net flows from North Wales to Mid (40), South West Wales (20) and South East Wales (160) and net flows from Mid Wales to South West Wales (170) and South East Wales (180). There is an annual average net outflow of people from the Valleys to Mid (70) and North Wales (20) but an average annual net in flow of people from South East Wales (680).

2.33 There is evidence<sup>18</sup> that employment rates for the low skilled have increased in areas that have also seen a rise in the opportunities for highly paid employment. The rationale supporting this is that lower skilled individuals gain employment opportunities in service sector occupations supporting the more affluent consumers. Changes in the social structure of an area can therefore have a role for wider economic regeneration, and migration patterns can be an important function including migration from outside the UK. A total of 392,000 individuals applied to the Worker Registration Scheme between 1 May 2004 and 31 March 2006. Wales had the lowest percentage of total UK registrations with only 2% registered representing just over 7,200 applications. Early evidence suggests that accession workers are continuing to go where the work is, helping to fill the gaps in our labour market, particularly in administration, business and management, hospitality and catering,

<sup>17</sup> Local authority level data not published due to the small numbers of net movements at this local level.

<sup>18</sup> Gibbons, S et al, 2005, Is Britain Pulling Apart? Area Disparities in Employment, Education and Crime, Centre for Market and Public Organisation Working Paper 05/120, published in N. Pearce and W. Paxton (eds.) *Social Justice, Building a Fairer Britain*, Institute of Public Policy Research: <http://www.bris.ac.uk/Depts/CMPO/workingpapers/wp120.pdf>

agriculture, manufacturing and food, fish and meat processing. Data from the International Passenger Survey shows that over the period 2002 – 2004, there has been net in-migration from the rest of the world to Wales, of just over 5,500 individuals<sup>19</sup>.

### **Access to employment and inclusion in the labour market**

2.34 As Figure 2 shows, adverse labour market conditions explain approximately 35% of the overall gap in GVA per head in Wales compared to the UK average. Understanding the Welsh labour market and, in particular, understanding the barriers to participation and the needs of the disadvantaged are of crucial importance.

2.35 Table 6 summarises the latest (i.e. the latest year that data is available) labour market conditions, comparing West Wales and the Valleys, East Wales, Wales, the UK and the European Union (EU25). As Table 6 shows, East Wales, West Wales and the Valleys and Wales as a whole perform well on the leading labour market indicators compared to the average for the EU25 and have shown significant improvement since 2001. Despite considerable progress in recent years, approximately 16% of Welsh children live in workless households, compared to 15% for the UK as a whole and 10% for the EU25.

2.36 Interestingly, the lower unemployment rate across West Wales and the Valleys than for the EU25, is not matched by an equivalent difference in employment rates. The explanation lies in the relatively lower economic activity (or higher economic inactivity) across West Wales and the Valleys compared to the EU25. This is also the case for comparisons between East Wales and the UK. East Wales has a considerably lower unemployment rate than the UK average but the employment rate is still below the UK average. Again, it is higher economic inactivity that explains the difference in the headline employment rate. This is explained further in the following sections.

2.37 Long-term unemployment has been highlighted in the EES as a particular concern. The fall in long-term unemployment seen across Wales and its sub-regions is welcome news. The UK Government has recently introduced measures including work-focussed interviews to assist individuals currently not in employment back into active engagement<sup>20</sup>. These measures are expected to help the UK and its sub-regions to meet the targets and benchmarks in the EES in relation to providing a new start for long-term unemployment individuals and increase participation in active labour market measures.

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<sup>19</sup> Data is not available on the origin of immigrants in Wales due to the small sample size.

<sup>20</sup> DEPARTMENT FOR WORK AND PENSIONS, 2006, A New Deal for Welfare: Empowering People to Work. Available at: [http://www.dwp.gov.uk/aboutus/welfarereform/docs/A\\_new\\_deal\\_for\\_welfare-Empowering\\_people\\_to\\_work-Full\\_Document.pdf](http://www.dwp.gov.uk/aboutus/welfarereform/docs/A_new_deal_for_welfare-Empowering_people_to_work-Full_Document.pdf)

**Table 6: Labour market summary, EU25 comparison (percentage)**

	2001	2005	Change over 2001	Absolute change over 2001
<b>Employment rate (a)</b>				
West Wales and the Valleys	63.1	66.4	3.3	44
East Wales	69.5	71.4	1.9	32
Wales	65.4	68.3	2.9	76
UK	71.4	71.7	0.3	627
EU 15	63.9	65.1	1.2	5,838
EU25	62.7	63.7	1.0	6,278
<b>Economic activity rate (b)</b>				
West Wales and the Valleys	67.4	70.0	2.6	34
East Wales	73.7	74.0	0.3	26
Wales	69.5	71.5	2.0	60
UK	75.2	75.3	0.1	580
EU15	69.1	71.0	1.9	7,860
EU25	68.7	70.1	1.4	7,852
<b>Unemployment rate (c)</b>				
West Wales and the Valleys	6.3	5.1	-1.2	-8
East Wales	5.0	3.5	-1.5	-6
Wales	5.8	4.5	-1.3	-14
UK	5.0	4.7	-0.3	-45
EU15	7.5	8.2	0.7	1,997
EU25	8.6	9.0	0.4	1,648
<b>Long-term unemployment rate (d)</b>				
West Wales and the Valleys	27.2	21.8	-5.4	-4
East Wales	30.7	22.4	-8.0	-4
Wales	28.4	22.0	-6.4	-8
UK	25.3	21.1	-4.2	-70
EU15	..	..	..	..
EU25	..	45.5	..	..

(a) Employed persons are all persons aged between 15 and 64 who during the reference week (week when the data was collected) worked at least one hour for pay or profit, or were temporarily absent from such work. Family workers are included. Rate for those aged between 15 and 64;

(b) Economically active population comprises employed and unemployed persons. Rate for those aged between 15 and 64;

(c) Unemployment rate represents unemployed persons as a percentage of the economically active population. Rate for those aged 15 and over.

(d) Those unemployed for at least 12 months

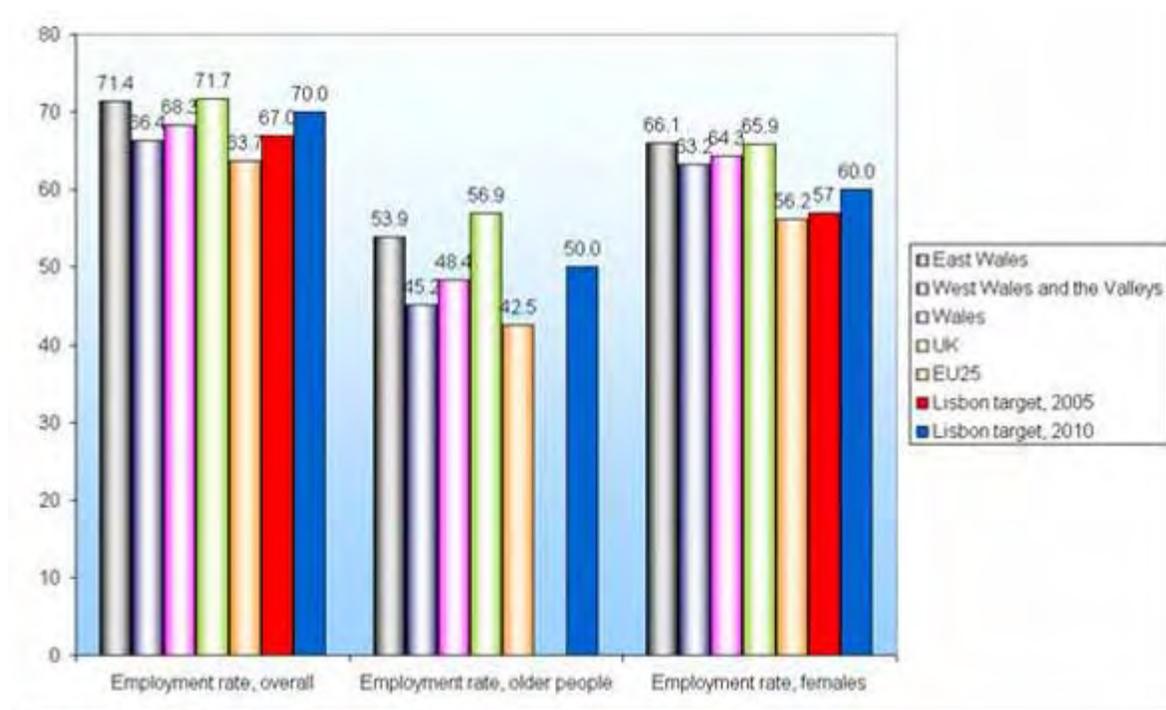
.. Data unavailable.

Source: Eurostat

2.38 Figure 7 shows the progress that the Wales has made towards the headline Lisbon employment targets. As Figure 7 illustrates, using Eurostat data for 2004, Wales falls just short of the main Lisbon employment targets for 2010 with the exception of the employment rate for females. The data uses the European definitions for employment for age ranges 15-64. The key difference with this

definition and the data presented in the rest of this analysis is the UK definition for employment uses males aged 16-64 and females 16-59. Care should be taken when comparing data from Eurostat and data from UK sources<sup>21</sup>. A further discussion of labour market issues is available in the next section.

**Figure 7. Progress against Lisbon targets 2005 and 2010**



Source: Eurostat

2.39 Table 7 shows the latest labour market conditions across Wales and its sub-regions using the UK Labour Force Survey (care should be taken when comparing Table 6 and Table 7 due to differences in methodology and time periods<sup>22</sup>). Despite recent improvements, the employment rate in Wales remains below the UK, reflecting continuing high rates of economic inactivity rather than high rates of unemployment.

<sup>21</sup> An overview of the methodology for the European Labour Force Survey is available at: [http://epp.eurostat.ec.europa.eu/portal/page?\\_pageid=0,1136184,0\\_45572601&\\_dad=portal&\\_schema=PORTAL&screen=ExpandTree&open=%2Fpopul%2Flabour&product=EU\\_population\\_social\\_conditions&nodeid=71140&vindex=4&level=2&portletid=39994101\\_QUEENPORTLET\\_92281242&scrollto=0#LABOUR\\_MARKET](http://epp.eurostat.ec.europa.eu/portal/page?_pageid=0,1136184,0_45572601&_dad=portal&_schema=PORTAL&screen=ExpandTree&open=%2Fpopul%2Flabour&product=EU_population_social_conditions&nodeid=71140&vindex=4&level=2&portletid=39994101_QUEENPORTLET_92281242&scrollto=0#LABOUR_MARKET)

An overview of the UK labour market data sources is available at: <http://www.statistics.gov.uk/about/data/guides/LabourMarket/default.asp>

<sup>22</sup> Summary details on the methodology for the European Labour Force Survey available at: [http://europa.eu.int/estatref/info/sdds/en/regio/lmemp\\_r\\_sm.htm](http://europa.eu.int/estatref/info/sdds/en/regio/lmemp_r_sm.htm)

Summary details on the methodology for the UK Labour Force Survey are available at: <http://www.statistics.gov.uk/statbase/Product.asp?vlnk=1537>

2.40 There have been strong increases in employment levels in West Wales and the Valleys, with the employment rate increasing at over twice the rate of growth in East Wales. Since 2001, employment in West Wales and the Valleys has increased by approximately 40,000<sup>23</sup> and the employment rate has increased by 2.4 percentage points to 69.5%. However, the nominal employment rate has still not caught up the Welsh average. Despite East Wales having a higher employment rate than for Wales as a whole, the employment rate fall well below the aspiration for the employment rate for the UK to reach 80%<sup>24</sup>.

2.41 Unemployment in Wales has fallen to historically low levels. Since 2001, the unemployment rate in Wales has fallen by 0.3 percentage points to stand at 5.1%. Across West Wales and the Valleys unemployment has fallen by 0.6 percentage points to stand at 5.3%. Contrary to the trend across Wales as a whole, the unemployment rate across East Wales has increased with the current rate just below the UK and Welsh averages. Despite historically higher unemployment, it is not the unemployment picture that explains Wales' relatively low employment rate; it is higher rates of economic inactivity that explain the lag in employment rates.

2.42 Despite significant reductions in economic inactivity across the whole of Wales, including West Wales and the Valleys over the last four years, the rate of economic inactivity remains more than three percentage points higher in Wales and nearly five percentage points higher in West Wales and the Valleys than in the UK as a whole. It is in West Wales and the Valleys where most progress has been made in reducing economic inactivity in Wales and that is encouraging.

2.43 Economic inactivity in East Wales has fallen by 1.4 percentage points since 2001 to stand at 22.5% which is well below the Welsh average. Despite generally favourable labour market conditions across East Wales, economic inactivity is still above the UK average.

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<sup>23</sup> Data comparing 12 months to March 2005 to 2001 from the Local Labour Force Survey

<sup>24</sup> DEPARTMENT FOR WORK AND PENSIONS, 2006, A New Deal for Welfare: Empowering People to Work. Available at: [http://www.dwp.gov.uk/aboutus/welfarereform/docs/A\\_new\\_deal\\_for\\_welfare-Empowering\\_people\\_to\\_work-Full\\_Document.pdf](http://www.dwp.gov.uk/aboutus/welfarereform/docs/A_new_deal_for_welfare-Empowering_people_to_work-Full_Document.pdf)

**Table 7: Labour market summary**

		2001	Year to March 2006	Change since 2001
<b>Employment (a)</b>				
East Wales	Level (000s)	478	495	16
	Rate (%)	(72.6)	(73.7)	(1.1)
West Wales and the Valleys	Level (000s)	756	796	40
	Rate (%)	(67.0)	(69.5)	(2.4)
Wales	Level (000s)	1,234	1,291	56
	Rate (%)	(69.1)	(71.0)	(2.0)
UK	Level (000s)	27,433	28,117	684
	Rate (%)	(74.1)	(74.1)	(0.0)
<b>ILO Unemployment (b)</b>				
East Wales	Level (000s)	23	25	2
	Rate (%)	(4.5)	(4.8)	(0.3)
West Wales and the Valleys	Level (000s)	48	45	-3
	Rate (%)	(6.0)	(5.3)	(-0.6)
Wales	Level (000s)	71	70	-1
	Rate (%)	(5.4)	(5.1)	(-0.3)
UK	Level (000s)	1,450	1,483	32
	Rate (%)	(5.0)	(5.0)	(-0.0)
<b>Economic inactivity (c)</b>				
East Wales	Level (000s)	152	146	-6
	Rate (%)	(23.9)	(22.5)	(-1.4)
West Wales and the Valleys	Level (000s)	312	293	-20
	Rate (%)	(28.6)	(26.5)	(-2.1)
Wales	Level (000s)	464	438	-26
	Rate (%)	(26.9)	(25.0)	(-1.9)
UK	Level (000s)	7,856	7,986	130
	Rate (%)	(21.9)	(21.9)	(-0.0)

(a) Levels are for those aged 16 and over, rates are for those of working age (males aged 16-64, females aged 16-59);

(b) Levels and rates are for those aged 16 and over. The rate is as a proportion of economically active (employment plus ILO unemployed). The International Labour Organisation (ILO) definition of unemployment covers those who are out of work and want a job, have actively sought work in the last four weeks and are available to start work in the next two weeks; plus those who are out of work, have found a job and are waiting to start in the next two weeks;

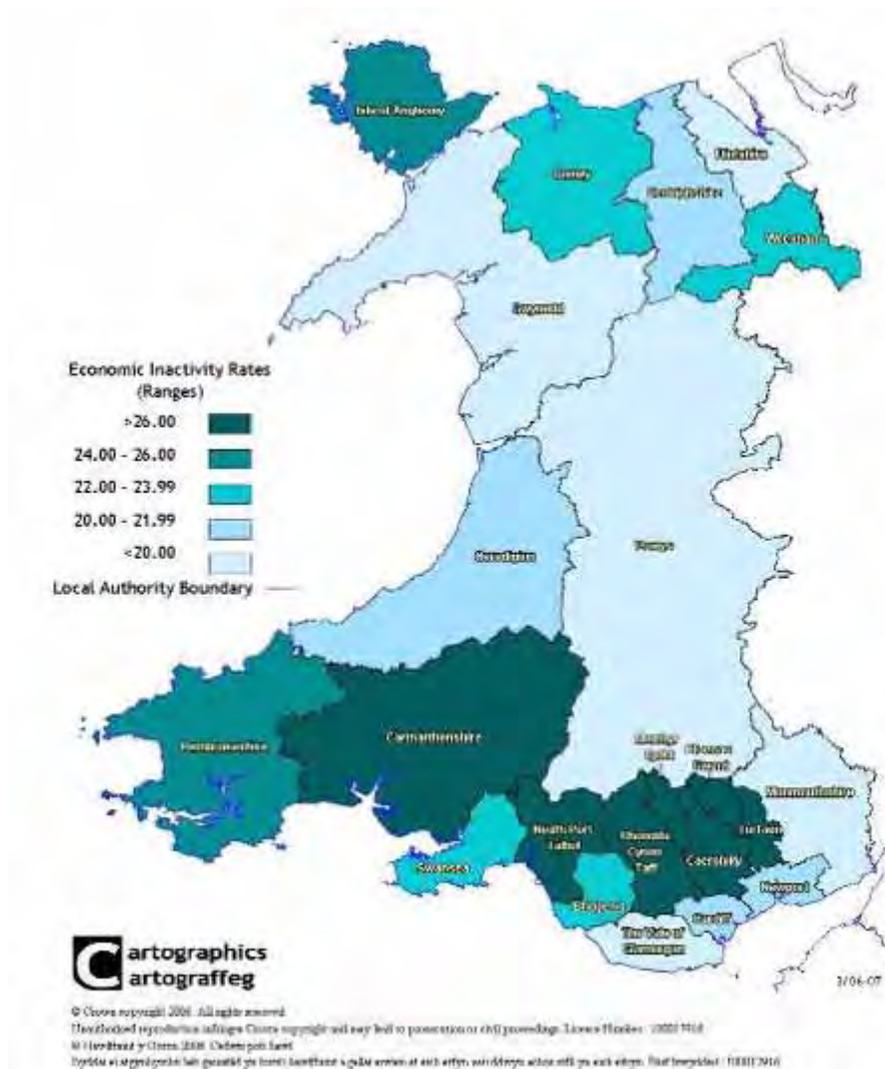
(c) Levels and rates are for those of working age (males aged 16-64, females aged 16-69).

Source: Labour Force Survey

2.44 Within Wales considerable variations exist in labour market performance. Figure 8 shows the employment rate across Wales, with the darker shades showing where the employment rate is low and lighter shades showing higher employment rates. The areas with the lowest employment rate are found in South Wales, in particular in Blaenau Gwent, Merthyr Tydfil and Neath Port Talbot. Within East Wales Cardiff has the lowest employment rate, and as shown in later sections, pockets of deprivation.



**Figure 9. Economic Inactivity rates by Local Authority**

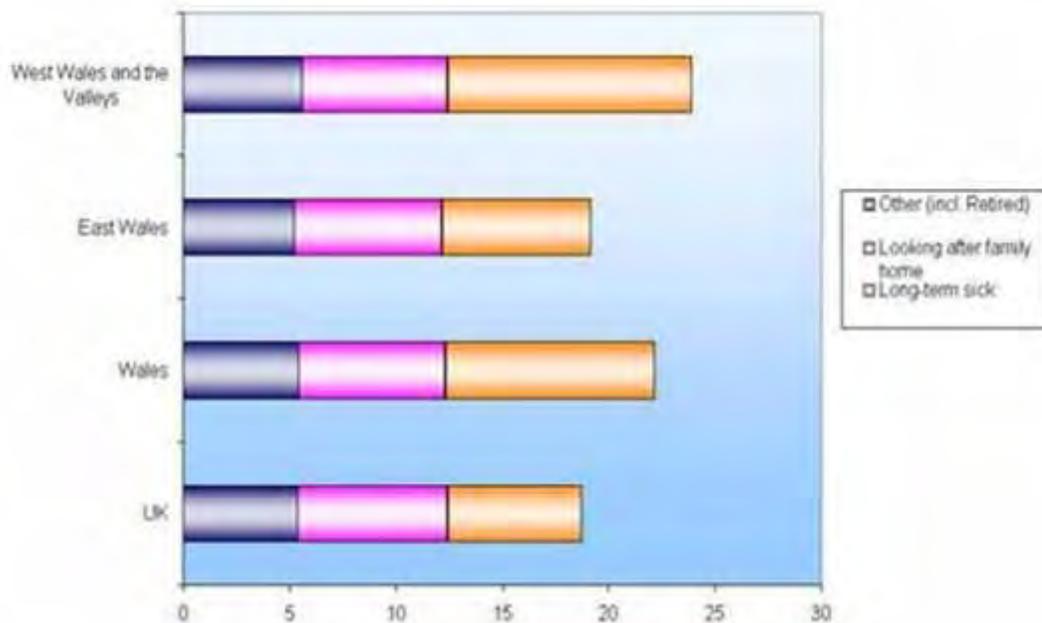


Source: Labour Force Survey

2.46 A key challenge facing the Welsh economy in enhancing access to employment is the sustainable inclusion in the labour market of inactive individuals. As highlighted in the above analysis, despite these improvements in labour market conditions, the employment rate in Wales is still below the average for the UK as a whole. With unemployment rates in Wales now in line with the UK average, higher unemployment does not explain this difference, indeed it is higher rates of economic inactivity that explain the majority of the differential in employment rates.

2.47 Progress has been made in reducing economic inactivity rates across Wales as a whole. To make further progress in this area it is important to understand the underlying causes of excess inactivity in West Wales and the Valleys. The factor most commonly identified by respondents, particularly men, was a long-standing, self-reported, work-limiting health condition. As Figure 10 shows, this accounts for much of the overall difference in economic inactivity between West Wales and the Valleys and Wales to the average for the UK. Respondents for East Wales were similar to the UK as a whole. Levels of inactivity are persistently highest amongst those with low skills as will be discussed below.

**Figure 10. Economic Inactivity rate by reason given, 2004**



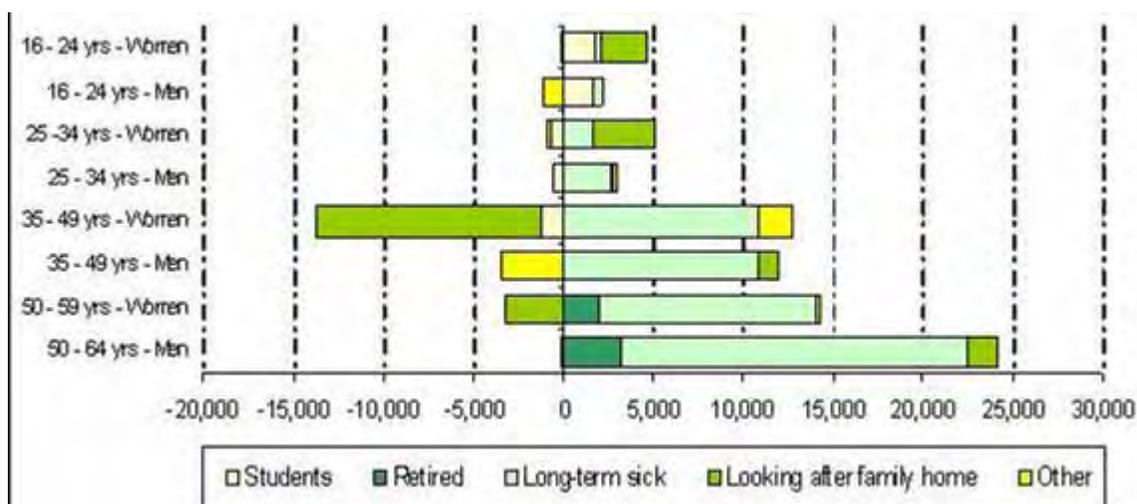
Source: Labour Force Survey

2.48 Reported ill health is undoubtedly more of an issue in some parts of Wales than in the UK as a whole. Table 8 summarises some results from the Welsh Health Survey on self-reported health assessments<sup>25</sup> for individuals of working age. Table 9 shows that in 2004/05 there was a higher incidence of nearly all illnesses and conditions in West Wales and the Valleys than in East Wales and Wales as a whole for working age individuals.

<sup>25</sup> Reflects people's own understanding of their health rather than a clinical assessment of their condition.



**Figure 11. Number of economically inactive in Wales in excess of UK average inactivity rates, by age group, gender and reason, 2003**



Source: Labour Force Survey

2.51 The rise in female employment in general across Wales has focussed attention on the issue of childcare as a potential barrier to participation in the labour market<sup>27</sup>. As Figures 10 and 11 show 'looking after home and family' accounts for a large proportion of the reasons given for being economically inactive. It has been argued that the UK has suffered both from poor accessibility to and affordability of childcare and that this helps to explain in part economic inactivity across the UK<sup>28</sup>. The *Childcare Strategy for Wales* highlights a number of areas where Wales has deficiencies in the provision of childcare in particular under provision in some of Wales' most deprived areas<sup>29</sup>. Research<sup>30</sup> indicates that subsidising childcare and increasing availability leads to an increase in employment for females and, in particular, lone parents; the impact, however, is greatest when policies are targeted and means tested. In addition to childcare there is a body of evidence<sup>31</sup> that shows that the presence of elderly family members decreases participation in the labour market.

<sup>27</sup> Blackerby, D et al. 2003 Identifying Barriers to Economic Inactivity in Wales. A Report for the Economic Research Unit of the Welsh Assembly Government:

<http://www.wales.gov.uk/subiresearch/content/eru/rpt03-04-e.htm>

<sup>28</sup> Duncan, A and Giles, C. 1996. Should we Subsidise Childcare and if so how? *Fiscal Studies*, Vol 17 pp. 39-61.

<sup>29</sup> Further details are available in The Childcare Strategy for Wales – Childcare is for Children, available at: [http://new.wales.gov.uk/topics/educationandskills/policy\\_strategy\\_and\\_planning/104009-wag/87760-wag11114/?lang=en](http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/104009-wag/87760-wag11114/?lang=en)

<sup>30</sup> Duncan, A et al, 2001. Mothers' Employment and the use of Childcare in the UK, Institute of fiscal Studies WP01/23;

Duncan, A and Giles, C. 1996. Should we Subsidise Childcare and if so how? *Fiscal Studies*, Vol 17 pp. 39-61.

<sup>31</sup> Greenhalgh, C. 1980. Participation and hours worked of married women in Great Britain. *Oxford Economics Papers* Vol 32, pp. 296-318

2.52 In addition to childcare, several other barriers to employment have been identified for those currently economically inactive. The importance of networks, both informal and formal, in the form of access to public transport have been highlighted as potential barriers especially for individuals living in rural areas<sup>32</sup>. This has obvious implications for Wales given that a large proportion of the land mass is rural in nature.

2.53 Figure 12 below shows access to key employment centres in Wales<sup>33</sup> by bus and walking. The red areas show where access is beyond one hour. The areas with the poorest bus/walking access to key employment centres in Wales can be found in West Wales. However, there are large pockets of poor access to employment centres within the South Wales valleys. This is a concern especially given the relative economic inactivity rates across South Wales Valleys and the links between transport access as a barrier to employment for some individuals that are economically inactive<sup>34</sup>.

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<sup>32</sup> Cartmel, F and Furlong, A, 2000. Youth Unemployment in Rural Areas. A Report for the Joseph Rowntree Foundation.

<sup>33</sup> The employment centres used in this plot were taken from the Welsh Assembly Government's *Wales Spatial Plan*. The centres included are all town/city centres with more than 2,000 jobs (2000 data), with the addition of cross-border locations Chester, Shrewsbury, Hereford and Bristol. The *Wales Spatial Plan*, November 2004:

<sup>34</sup> Blackerby et al, 2003, Identifying Barriers to Economic Activity in Wales. A report for the Economic Research Unit Welsh Assembly Government:



2.54 Although individual barriers to activity have been identified, individuals face several disadvantages, therefore, a coordinated approach is needed to reduce economic inactivity across West Wales and the Valleys and East Wales<sup>35</sup>.

### **Social inclusion of people at a disadvantage**

2.55 While the leading labour market indicators have shown encouraging progress in recent years, Wales still suffers from lower employment and higher economic inactivity rates than the UK. As the following analysis shows, certain groups in society fare worse in terms of overall labour market participation.

2.56 Table 9 shows the changes in employment rates disaggregated by disability and ethnicity. Table 9 shows that employment rates and economic activity rates for those with a disability<sup>36</sup> across East Wales, West Wales and the Valleys and Wales as a whole are significantly lower than for those without any disability. This is not surprising given that disability in the Labour Force Survey is partially defined as those with a work limiting disability<sup>37</sup>. Unemployment rates (which measures those able, willing and actively seeking employment) for those with a disability, however, are considerably higher than for those without a disability. In total across Wales as a whole 221,000 disabled individuals are economically inactive and just under 13,000 disabled individuals are registered unemployed. Recent research<sup>38</sup> has highlighted that the employment rate for individuals with a disability but which is not work limiting, are almost identical to those for individuals without a disability. It is therefore the work limiting component that lies at the heart of employment differentials between individuals with and without a disability.

2.57 Table 9 also shows that Black Ethnic Minority (BME) individuals fare worse in terms of labour market outcomes compared to the non-BME population across Wales as a whole and the sub-regions of Wales. However, some care should be taken when interpreting the figures for the BME population in Wales due to small sample sizes. For example, for Wales as a whole the unemployment rate over the period 2001–04 has large annual changes with the unemployment rate in 2001 being 7.5% and then rising to 14.8% in 2002. In addition, changes in unemployment, while large in percentage terms, are small in absolute. The rise in the unemployment rate between 2001 and 2004 represented an additional 1,600 individuals registered as unemployed across Wales as a whole. In total across Wales as a whole, there are 3,000 individuals from BME origin registered as unemployed and 14,000 registered as being economically inactive.

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<sup>35</sup> Berthoud, R. 2003. Multiple Disadvantages in Employment: A Quantitative Analysis. A Report for the Joseph Rowntree Foundation.

<sup>36</sup> Disability is defined as work limiting disabled or Disability Discrimination Act disabled or both.

<sup>37</sup> Labour market outcomes for individuals with a disability, but not work limiting are similar to that of non-disabled individuals.

<sup>38</sup> JONES. M. K (2005) disability and the labour market: A review of the empirical evidence <http://www.swan.ac.uk/welmerc/pdf%20and%20cv/Disability%20and%20the%20Labour%20Market%20A%20review%20of%20the%20empirical%20evidence-%20DP.pdf>

2.58 Recent evidence<sup>39</sup> has investigated the differences in labour market outcomes of BME individuals in England and Wales and the reasons for these differences. Three main conclusions appear from this work. Firstly BME individuals tend to live in disadvantaged areas and so face a labour market penalty (although the causality of this is unclear). Secondly, BME individuals have lower educational attainment than non-BME individuals. Finally, evidence suggest that religion is an additional source of variation in labour market behaviour in that after controlling for individual characteristics, individuals with certain religious beliefs have adverse labour market outcomes.

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<sup>39</sup> Clark. K and Drinkwater S. 2005. Dynamics and Diversity: Ethnic Employment Differences in England and Wales, 1991-2001. IZA Discussion Paper No. 1698  
<http://www.econ.surrey.ac.uk/staff/sdrinkwater/dp1698.pdf>

**Table 9: Labour market summary, disaggregated by disability (a) and ethnicity (percentage)**

	Employment		Economic Inactivity		Unemployment (b)	
	2001	2004	2001	2004	2001	2004
<b>Disability</b>						
<i>East Wales</i>						
All Persons	72.6	73.9	23.9	22.9	4.7	4.2
Disabled	44.1	48.0	52.4	49.1	7.2	5.7
Not disabled	79.3	80.2	17.1	16.5	4.3	3.9
<i>West Wales &amp; the Valleys</i>						
All Persons	67.0	69.6	28.6	26.5	6.1	5.4
Disabled	33.9	38.2	62.4	58.4	9.9	8.1
Not disabled	77.8	79.9	17.6	16.0	5.5	4.9
<i>Wales</i>						
All Persons	69.1	71.2	26.9	25.1	5.1	4.9
Disabled	37.1	41.3	59.3	55.5	8.9	7.2
Not disabled	78.4	80.8	17.4	16.2	5.1	4.5
<b>Ethnicity</b>						
<i>East Wales</i>						
All Persons	72.6	73.9	23.9	22.9	4.5	4.1
BME population (c)	52.8	58.4	43.0	34.7	7.1	10.5
Non-BME population	73.3	74.6	23.1	22.4	4.5	3.8
<i>West Wales &amp; the Valleys</i>						
All Persons	67.0	69.6	28.6	26.5	6.0	5.2
BME population (c)	62.6	59.0	31.7	32.9	8.2	12.1
Non-BME population	67.1	68.7	28.6	26.4	5.9	5.1
<i>Wales</i>						
All Persons	69.1	71.2	26.9	25.1	5.4	4.8
BME population <sup>3</sup>	55.7	58.6	39.7	34.1	7.5	11.1
Non-BME population	69.3	71.5	26.6	24.9	5.4	4.6

(a) Disability is defined as work limiting disabled or Disability Discrimination Act disabled or both;

(b) Unemployment rates broken down by disability are based on working age people only as disability question not asked to those in work, but over working age. Therefore the all persons rate will differ to working age unemployment rates;

(c) All in BMEs.

Source: Annual Labour Force Survey / Annual Population Survey

2.59 The gap between male and female employment rates in Wales is around half that for the UK as a whole and female employment has recently been growing faster

than male employment across Wales as a whole. Between 2001 and 2004, the female employment rate across Wales increased by 2.9% compared to 1.7% for males, and now stands at 67.8%. The female employment rate has increased for each age bracket, but has been particularly pronounced for those aged 35–59. This is set against a fall in employment rates of prime working age<sup>40</sup> males across Wales of some 0.4 percentage points between 2001 and 2004 compared to an increase of 1.7 percentage points for females. Across Wales as a whole 250,000 females and 188,000 males are economically inactive, the causes of which are discussed in later sections.

2.60 Also of concern is the fall in male youth (aged 16-24) employment in East Wales. Recent data<sup>41</sup> (2003–2004) shows that across Wales as a whole (sub-Wales data not available) the number of young people not in employment, education or training (NEET) has risen to 13% from 11% in 2002–2003. It is widely acknowledged in the economic literature<sup>42</sup> that for young adults education, skills and their labour market experiences are crucial for their future life chances. Therefore, time away from active engagement in the labour market can pose problems later in life for these individuals. Recent evidence has highlighted the importance of improving educational achievement, and preventing the build-up of substantial periods in unemployment as youths and that this may reduce the extent to which a minority of individuals (particularly men) spend a large part of their working lives unemployed.

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<sup>40</sup> Defined as those aged 25-34.

<sup>41</sup> Office for National Statistics, 2005 SB/80/2005. Participation of Young People in Education and the Labour Market 2003/04:

<sup>42</sup> For example see Gregg, P and Tominey, E, 2001 [The Impact of Youth Unemployment on Adult Unemployment in the NCDS](#) *Economic Journal* vol 111, issue 475, F626-653.

**Table 10: Employment rates by gender and age**

	<i>East Wales</i>		<b>West Wales and the Valleys</b>		<i>Wales</i>	
	<b>2001</b>	<b>2004</b>	<b>2001</b>	<b>2004</b>	<b>2001</b>	<b>2004</b>
<b>Males</b>						
16-24	60.4	58.5	56.6	60.5	58.0	59.7
25-34	87.2	87.8	84.6	83.6	85.6	85.2
35-49	88.1	89.9	82.1	85.8	84.3	87.3
50-64	68.9	71.3	57.8	60.9	61.6	64.5
65+	9.6	8.3	5.8	6.5	7.1	7.1
Working age	77.3	78.0	70.6	72.9	73.1	74.8
<b>Females</b>						
16-24	55.1	59.6	51.3	54.8	52.7	56.7
25-34	69.8	72.0	68.8	70.2	69.2	70.9
35-49	75.9	76.7	70.7	74.4	72.7	75.3
50-59	62.8	69.0	56.1	59.6	58.5	62.9
60+	8.9	8.9	6.9	7.8	7.6	8.2
Working age	67.6	70.5	63.2	66.2	64.9	67.8
<b>Persons</b>						
16-24	57.7	59.7	53.9	57.7	55.3	58.2
25-34	78.2	79.5	76.5	76.7	77.1	77.8
35-49	81.8	83.1	76.3	80.0	78.4	81.1
50-64	66.3	70.4	57.1	60.4	60.3	63.9
65+	9.1	8.7	6.5	7.3	7.4	7.8
Working age	72.6	74.3	67.0	69.6	69.1	71.4

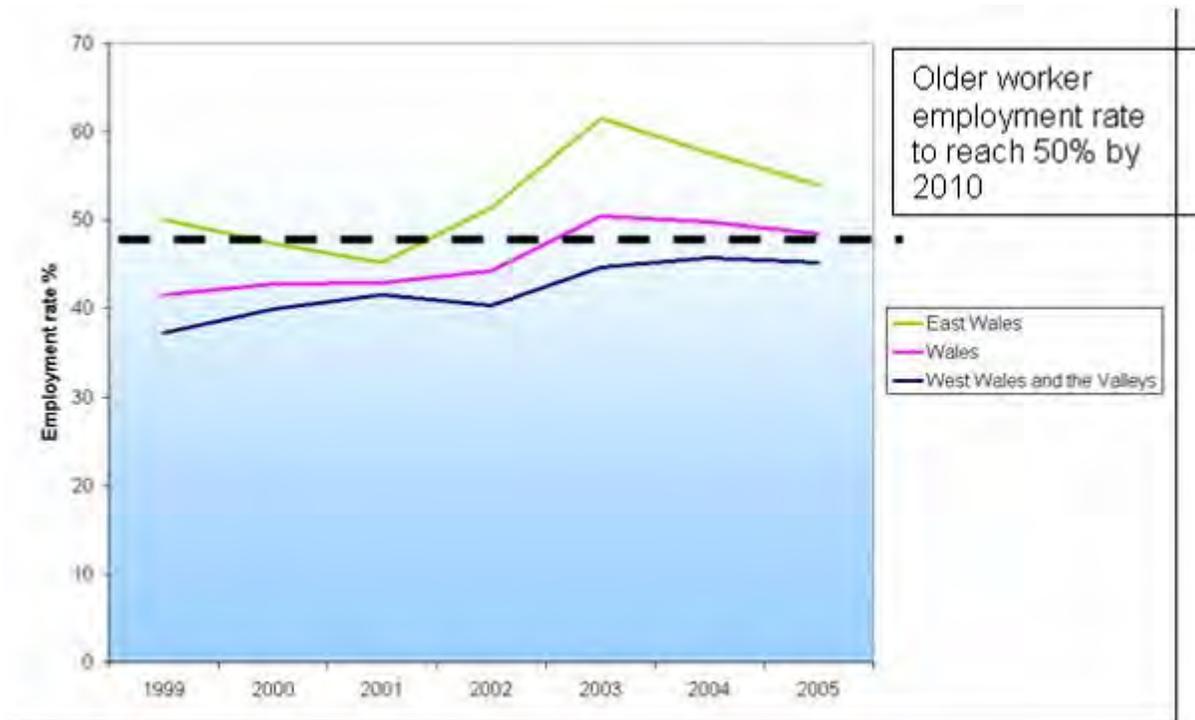
Source: Local Labour Force Survey

2.61 A headline Lisbon employment target is to increase the employment rate of older workers (those aged between 55 and 64) to 50% by 2010. Figure 13 summarises the latest position for Wales, West Wales and the Valleys and East Wales against this target. The overall employment rate for older workers across Wales is just below the Lisbon target of 50%. Across East Wales the employment rate for older workers is above the Lisbon target and has been since 2002. The employment rate for older workers across West Wales and the Valleys is just below the Lisbon target at 45.2%. Increasing the employment rate for older workers will help towards the target to increase the effective average exit age from the labour market identified in the EES<sup>43</sup>.

<sup>43</sup> European Commission (2005/600/EC) Council decision of 12 July 2005 on guidelines for the employment policies of the Member States.

[http://eur-lex.europa.eu/LexUriServ/site/en/oj/2005/l\\_205/l\\_20520050806en00210027.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2005/l_205/l_20520050806en00210027.pdf)

**Figure 13. Older Worker Employment rate**



Source: Eurostat

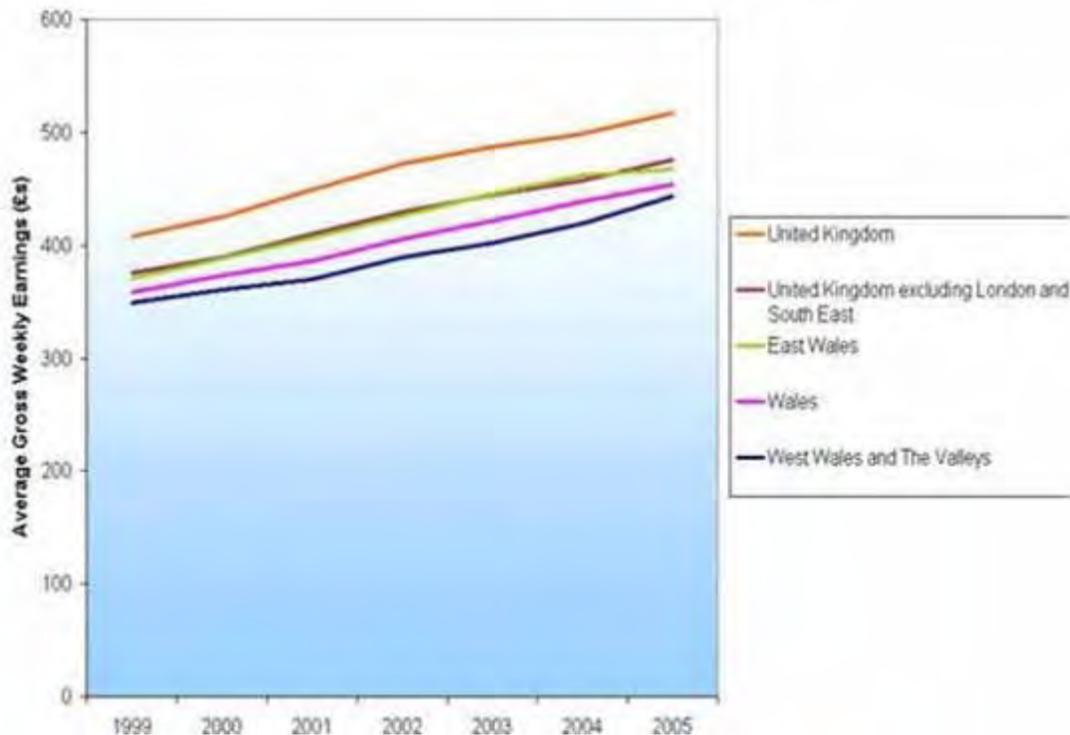
2.62 Across Wales as a whole approximately 50% of the rise in employment between 2001 and 2004 has been in part-time employment. For males, 56% of the rise in employment was part-time while the corresponding figure for females was 44%. The picture across East Wales is somewhat different to that for Wales as a whole with approximately one-third of the total increase in employment being part-time for males and females over the period 2001 to 2003. In total, 26% of all employees work part-time across Wales, totalling 334,000 individuals. For females this figure is 44% (264,000 individuals) compared to 11% (70,000 individuals) for males. The proportions across West Wales and the Valleys and East Wales are much in line with the all Wales average.

2.63 In addition to the increase in employment levels across Wales, average earnings have also increased. Since 1999, average earnings in Wales have increased by 28% in nominal terms (13% in real terms). This increase is much the same across the sub-regions of Wales and for the UK as a whole. However, Wales had the third lowest average weekly earnings amongst UK regions and devolved administrations in 2005. Average gross weekly earnings for full-time adults in Wales were £455 in April 2005, 88.0% of the average for the UK as a whole<sup>44</sup>. Within Wales and its sub-regions there are clear differences as shown in Figure 14 with

<sup>44</sup> Annual Survey of Hours and Earnings 2005, Office for National Statistics: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14203>

lower average earnings across West Wales and the Valleys than across East Wales. Within East Wales however, Powys and Monmouthshire have lower average earnings than for Wales as a whole and the second lowest for all local areas within Wales. Carmarthenshire, Ceredigion and Pembrokeshire have the lowest average earnings at some 93% of the Welsh average. These differences are in part explained by relative industrial structures of the sub-regions which is discussed briefly below.

**Figure 14. Average gross weekly earnings (a)(b)**



(a) Based on average gross weekly earnings (including overtime) for full-time adults whose pay was not affected by absence;

(b) Since the 2004 survey, supplementary information has been collected in order to improve coverage and hence make the survey more representative. This includes information on businesses not registered for VAT and for people who changed or started new jobs between sample selection and the survey reference period. Therefore there is some discontinuity in comparing data for 2005 with that of earlier years.

Source: Annual Survey of Hours and Earnings.

2.64 Together with an increase in female employment in Wales, the earnings gap between males and females is lower in Wales than the UK average, and Welsh women fare better compared to their UK counterparts than Welsh men do in terms of average hourly earnings<sup>45</sup>. Female full-time hourly earnings (excluding overtime) in Wales (and across West Wales and the Valleys and East Wales) in April 2005 were 88% of the equivalent male figure. This was considerably above the average for the UK as a whole (82.7%).

2.65 The average difference between male and female earnings across the UK is greater than across the EU25<sup>46</sup>. In 2004, average gross hourly earnings for females were some 78% of the average male rate, compared to 85% across the EU25.

2.66 A recent study<sup>47</sup> that investigated the difference in pay for males and females across the UK highlighted that labour market segregation was a factor that explained the relative earnings of males and females in that women are generally working in a narrow group of occupations, mainly offering part-time work with pay below the average for the UK.

2.67 In addition, the economic contribution of women is not fully utilised. For women in part-time employment this is even more pronounced with up to 45% of women working part-time not fully utilising their skills and qualifications in their job. Secondly, there is strong evidence that women are not sufficiently rewarded for their economic contribution and that the gender pay gap, although narrowing steadily over recent decades, still persists.

2.68 In Wales in 2004, women occupied 83% of jobs in personal service occupations and 78% of jobs in administrative and secretarial occupations. In contrast, men occupied 93% of skilled trades and 84% of process, plant and machine operatives. It is still the case that the majority of senior positions in virtually all sectors are taken by men; for example, in the teaching profession the majority of secondary teachers are women, yet the majority of secondary head teachers are men.

2.69 Research<sup>48</sup> indicates that: 36% of the pay gap is due to differences in life-time working patterns (for example, taking time off work to look after children and often

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<sup>45</sup> A factor explaining the relatively small gender pay gap in Wales is the relatively low pay for men rather than higher than average pay for women.

<sup>46</sup> The gender pay gap is given as the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. The gender pay gap is based on several data sources, including the European Community Household Panel (ECHP), the EU Survey on Income and Living Conditions (EU-SILC) and national sources. The target population consists of all paid employees aged 16-64 that are 'at work 15+ hours per week'. UK level data is based on data for employees aged 16-59/64, therefore care should be taken when comparing the data based on EU comparisons to that based on UK definitions.

<sup>47</sup> Women and Work Commission, 2005, Shaping A Fairer Future:

[http://www.womenandequalityunit.gov.uk/publications/wwc\\_shaping\\_fairer\\_future06.pdf](http://www.womenandequalityunit.gov.uk/publications/wwc_shaping_fairer_future06.pdf)

<sup>48</sup> Equal Opportunities Commission research, 'Modelling Gender Pay Gaps':

[http://www.eoc.org.uk/PDF/modelling\\_gender\\_pay\\_gaps\\_wp\\_17.pdf](http://www.eoc.org.uk/PDF/modelling_gender_pay_gaps_wp_17.pdf)

returning to lower-paying posts, or women making fewer job moves than men, which contributes directly to wage increases for men); occupational segregation accounts for 18%; 38% is due to differences in labour market motivations and preferences of women compared to men and to direct discrimination; and 8% is due to human capital differences such as women's lower qualification mix and lower number of years' experience if they have taken time off for caring responsibilities. Employers, in anticipation that women will take career breaks, may also treat women less favourably so that even those women who do not take a career break, or take a very short one, will suffer a penalty. Lack of equal pay for equal work is still a factor and some researchers believe that even once all explanatory factors are taken into account an unexplained gap of around 10% may exist. Consequently, despite 47% of the Welsh workforce now being female, the pay gap remains.

## Human capital

2.70 Long-term economic growth and increases in earnings depend crucially on raising value-added per job in the economy. Analysis<sup>49</sup> of the variation across Great Britain suggests that skills are a major factor in the level of productivity. As discussed in more detail below Wales as a whole (west Wales and the Valleys in particular) has an adverse skills profile with a higher proportion of individuals without any formal qualifications than compared to the UK as a whole. For Wales (sub-Wales data not available) the adverse skills profile explains approximately 20% of Wales' lower productivity compared to the average for Great Britain as a whole. Evidence<sup>50</sup> suggests that a 10% increase in the proportion of individuals with degree level qualifications or better increases productivity by nearly 1%, while the same proportionate decrease in the proportion of individuals with no formal qualifications increases productivity by around 0.7%. Continued investment in improving the skills of the population could therefore help boost productivity, as well as help alleviate disparities in employment rates through reducing economic inactivity.

2.71 Increasing the level of skills in the workforce is also associated with increased rates of economic activity and improvements to productivity, both of which will raise rates of gross value-added per head, which in turn will impact on levels of individual and community prosperity. The 2004 EU Joint Interim Report states that 'raising the average educational attainment of the population by one year represents a 5% increase in growth in the short term, and a further 2.5% in the long term'<sup>51</sup>.

2.72 There is a broad consensus that a change in the composition of the demand for labour lies at the heart of the analysis of trends in the labour market over the last couple of decades. The relative labour market position of low skilled people has

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<sup>49</sup> Rice, P and Venables, A, 2004, 'Spatial determinants of productivity analysis for the regions of Great Britain', *CEP Discussion Paper No.642*.

<sup>50</sup> Rice, P and Venables, A, 2004, Spatial determinants of productivity analysis for the regions of Great Britain, *CEP Discussion Paper No.642*.

<sup>51</sup> Joint interim report of the Council and the Commission on the implementation of the detailed work programme on the follow-up of the objectives of education and training systems in Europe, 3 March 2004.

worsened across the developed world, taking the form of lower relative pay and/or lower employment rates<sup>52</sup>.

2.73 Levels of skills in the Welsh workforce have risen over recent years. While the proportion of working age adults in West Wales and the Valleys with no qualifications has fallen, skills levels remain below other UK regions and the EU as a whole.

2.74 Employment rates for low skilled people tend to be higher where there are low concentrations of such people. (The clearest example of such a pattern is the South East of England outside London). The changing composition of the demand for labour has therefore had its greatest negative effects where the supply of such labour is highest, including parts of Wales. Furthermore, as it is much more difficult for unskilled people than for skilled people to migrate to places where the demand for their labour is relatively high, such spatial disparities have become entrenched<sup>53</sup>.

2.75 Skills are increasingly important in determining labour market outcomes. Table 11 shows the employment rate disaggregated by the highest qualification held by employees. Table 11 shows that while the overall employment rate has increased, the employment rate for those with no formal qualifications has fallen. The same pattern has occurred across West Wales and the Valleys and East Wales. Analysis the employment rate disaggregated by age and qualifications shows that only 30% of individuals aged 16-24 without any qualifications are in employment compared to 70% for those with Level 4 and above. The employment rate for young people without any qualifications is over 10 percentage points lower than for any other age bracket.

2.76 This trend of falling employment for those with low level skills is a common phenomenon across the European Union. Using data from Eurostat employment for individuals aged 15 and over with pre-primary, primary and lower secondary education (level 0-2 on ISCED 1997) fell by nearly 4,000. This compares to rises of 7,300 and 7,700 for those with level 3-4<sup>54</sup> on ISCED 1997 and 5-6<sup>55</sup> on ISCED 1997 respectively across the EU. However, individuals with level 0-2 qualifications represented 27% of total employment across the EU compared to 10% for the UK, 13% for Wales, 14% for West Wales and the Valleys and 11% for East Wales.

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<sup>52</sup> Faggio, G and Nickell, S, 2005. Inactivity Among Prime Age Men in the UK. *CEP Discussion Paper 673*: <http://cep.lse.ac.uk/pubs/download/dp0673.pdf>

<sup>53</sup> Faggio, G and Nickell, S, 2005. Inactivity Among Prime Age Men in the UK. *CEP Discussion Paper 673*: <http://cep.lse.ac.uk/pubs/download/dp0673.pdf>

<sup>54</sup> Upper secondary and post-secondary non-tertiary education

<sup>55</sup> Tertiary education

**Table 11: Employment rate by highest qualification, Wales**

Highest Qualification level	2001	2004	Change 2001-04
<b>West Wales and the Valleys</b>			
Level 4 and above	84.1	84.7	0.6
Level 1-3	69.7	72.2	2.5
No Qualifications	45.9	44.5	-1.4
Total	67.0	69.7	2.7
<b>East Wales</b>			
Level 4 and above	85.5	86.6	1.1
Level 1-3	74.5	74.7	0.2
No Qualifications	51.4	50.2	-1.2
Total	72.6	74.4	1.8
<b>Wales</b>			
Level 4 and above	84.7	85.5	0.8
Level 1-3	71.5	73.1	1.6
No Qualifications	47.7	46.3	-1.4
Total	69.1	71.4	2.3

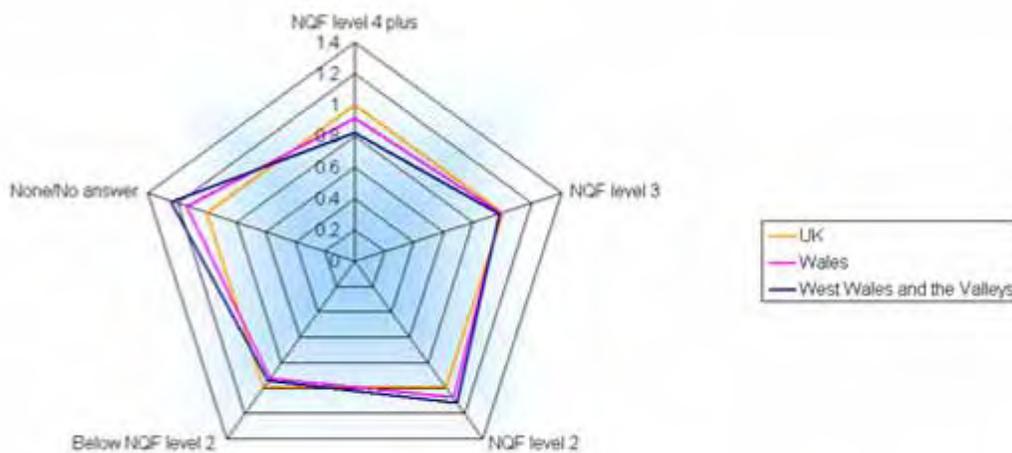
Source: Labour Force Survey

2.77 A major part of the explanation of the inactivity problem is the skill profile of the Welsh population. The available evidence suggests that the skills position in Wales is worse than in the UK as a whole, and that the position in West Wales and the Valleys is worse than in the rest of Wales. Figure 15 shows the relative skills set for individuals in Wales compared to the average for the UK as a whole. The chart is illustrated as a location quotient. A location quotient measures the relative concentration of a variable compared to a benchmark area. In Table 12 a score of 1 shows where the relative concentration of individuals with a given skill/qualification level is the same as for the UK average. A score of less than 1 shows where an area has a relatively low concentration and a score of greater than 1 shows where an area has a relatively high concentration compared to the UK average.

2.78 As Figure 15 shows, Wales and to a greater extent West Wales and the Valleys have relatively high concentrations of individuals with no qualifications and a relatively low concentration of individuals at the higher end of the qualification spectrum, Level 4 and above. East Wales, on the other hand, has a profile similar to the UK average, but with a slightly higher concentration of individuals with Level 4 and above. The distribution of low skills therefore closely fits the distribution of inactivity across Wales, which is consistent with there being a strong skill-related cause of inactivity. Across Wales as a whole some 304,000 working age individuals do not have any formal qualifications. The figures for West Wales and the Valleys and East Wales are 208,000 and 96,000 respectively.

2.79 Using Eurostat data for 2005 shows that West Wales and the Valleys, East Wales, Wales and the UK as a whole have a far lower proportion of its population with pre-primary, primary and lower secondary level qualifications with 43% of the population of the EU (aged 15 and over) with their highest qualification at this level compared to 13% for West Wales and the Valleys, 12% for East Wales, 14% for Wales and 11% for the UK as a whole.

**Figure 15. Qualification/skills set (UK=1)**



Source: Labour Force Survey

2.80 Table 12 shows the highest qualifications held by individuals across Wales broken down by individuals with and without a disability and individuals from minority ethnic groups and those not from minority ethnic groups. As Table 12 shows, individuals with a disability have lower levels of skill attainment than individuals who are not disabled. This is true across the sub-regions of Wales as well as for Wales as a whole. Interestingly, the proportion of individuals from minority ethnic groups without any formal qualifications is lower in West Wales and the Valleys than those that are not from minority ethnic groups. This is contrary to the observations across East Wales and Wales as a whole. The proportion of individuals from minority ethnic groups with level 4 and above qualifications is also higher in West Wales and the Valleys than for individuals from non minority ethnic groups. This again is contrary to the observation across East Wales and Wales as a whole.

**Table 12: Levels of highest qualifications held by persons of working age, percentage of working age population, 2004**

		No Qualifications	Level 2 and above	Level 3 and above	Level 4 and above
<b>Not disabled</b>	<b>West Wales and the Valleys</b>	14.3	68.8	43.8	24.0
	<b>East Wales</b>	12.0	71.5	50.2	30.3
	<b>Wales</b>	13.4	69.8	46.3	26.4
<b>Disabled (a)</b>	<b>West Wales and the Valleys</b>	33.0	49.1	28.7	14.1
	<b>East Wales</b>	26.6	55.5	34.4	20.1
	<b>Wales</b>	31.0	51.2	30.5	16.0
<b>Ethnic minority population (b)</b>	<b>West Wales and the Valleys</b>	18.1	61.3	38.8	25.7
	<b>East Wales</b>	24.2	54.6	39.3	28.2
	<b>Wales</b>	22.1	56.9	39.1	27.4
<b>Non ethnic minority population</b>	<b>West Wales and the Valleys</b>	18.9	63.9	40.1	21.6
	<b>East Wales</b>	14.5	69.0	47.4	28.3
	<b>Wales</b>	17.3	65.8	42.8	24.0

(a) Disability is defined as work limiting disabled or Disability Discrimination Act disabled or both.

(b) All in ethnic minorities.

Source: Labour Force Survey

2.81 The level of skill attainment for females in Wales is similar to that for males. There are two main differences however. Firstly, females across Wales as a whole have higher attainment rates at level 4 and above. Secondly, a higher proportion of females in Wales as a whole do not have any formal qualifications. The differences however are small and only represent between 0.5 and 1 percentage point. A similar pattern is found across West Wales and the Valleys and East Wales with a higher proportion of females with qualifications at level 4 and above and a higher proportion of females without formal qualifications. The difference in the overall level of qualification attainment between males and females across West Wales and the Valleys compared to East Wales is generally reflective of the population as a whole as illustrated in Table 13.

**Table 13: Levels of highest qualifications held by persons of working age by gender, percentage of the working age population, 2004**

		No Qualifications	Level 2 and above	Level 3 and above	Level 4 and above
<b>East Wales</b>	<b>Males</b>	14.1	70.6	50.4	27.7
	<b>Females</b>	15.7	66.1	43.6	28.8
	<b>Total</b>	14.9	68.4	47.1	28.3
<b>West Wales and the Valleys</b>	<b>Males</b>	18.2	66.1	43.2	20.9
	<b>Females</b>	19.7	61.5	36.8	22.4
	<b>Total</b>	18.9	63.9	40.1	21.6
<b>Wales</b>	<b>Males</b>	16.7	67.8	45.9	23.4
	<b>Females</b>	18.2	63.2	39.3	24.8
	<b>Total</b>	17.4	65.6	42.7	24.1

Source: Welsh Local Labour Force Survey

2.82 According to the latest survey of adult basic skills in Wales<sup>56</sup>, it is estimated that 25% of adults in Wales have entry level literacy skills and 53% in Wales are estimated to have entry level numeracy skills. Compared to England, Wales has a higher percentage of adults with entry level numeracy and literacy skills, but the gap is particularly pronounced in literacy (see full report for details). Unsurprisingly, there is a strong correlation between education attainment and performance in both literacy and numeracy assessments. Overall males and females had similar scores in the literacy assessments; however, males outperformed females in the literacy assessments. The recent Leitch Review of Skills<sup>57</sup> has highlighted the importance of improving the basic skills of the population to enhance employability and productivity. A recent study conducted for Wales<sup>58</sup> also highlighted the role of improving the basic skills of the population of Wales as one of the main areas of focus to alleviate the skills gap Wales has with the UK and many leading developed countries.

2.83 The Maastricht Study 'Achieving the Lisbon goal: the contribution of Vocational Education and Training' stressed the importance of tackling basic skills' deficits

<sup>56</sup> BASIC SKILLS AGENCY FOR WALES, 2004, The National Survey of Adult Basic Skills in Wales. Available at: <http://www.basic-skills-wales.org/bstrategy/resources/Survey%20of%20Adult%20Basic%20Skills%20in%20Wales.pdf>

<sup>57</sup> Prosperity for all in the global economy – World class skills. Leitch review of skills for HM Treasury (2005) [http://www.hm-treasury.gov.uk/media/523/43/leitch\\_finalreport051206.pdf](http://www.hm-treasury.gov.uk/media/523/43/leitch_finalreport051206.pdf)

<sup>58</sup> Sloane et al (2007) The long tail of low skills in Wales and the UK – A review of the Evidence

estimating that by 2010 only 15% of jobs will be for those with basic schooling, and that the impact for individuals and businesses of training the low skilled is as high as the impact for the highly educated, though many of the disadvantaged and employers are unaware of this<sup>59</sup>. Tackling basic skills early in life will therefore be of crucial importance as modern economies develop.

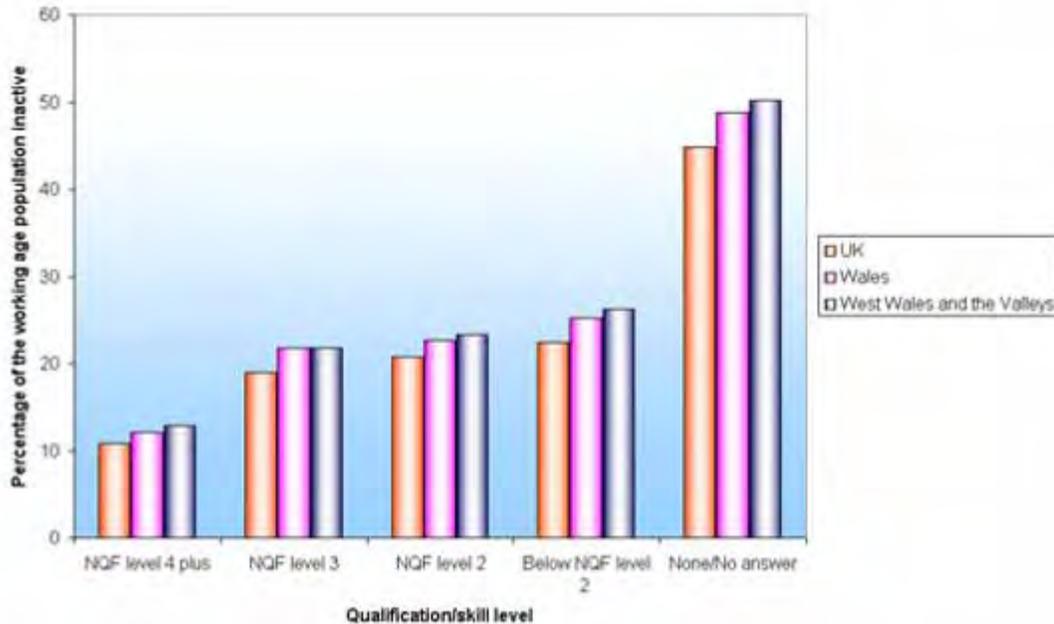
2.84 The weakening of the demand for less skilled labour across the developed world is reflected in unemployment and economic inactivity rates amongst groups with different qualifications and skills set. Figure 16 sets out the rates of economic inactivity in West Wales and the Valleys, Wales and the UK according to the individual's highest level of qualifications.

2.85 This shows that there is significantly increased economic inactivity in groups with no formal qualifications. The higher the qualification/skill levels (moving from right to left on Figure 16), the lower the economic inactivity rate for individuals within each cohort. This is most significant, however, between no qualifications and basic skills / Level 1, and where there is a high relative concentration of individuals with no formal qualifications a higher percentage of individuals are economically inactive, as is the case for West Wales and the Valleys.

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<sup>59</sup> The Maastricht study 'Achieving the Lisbon goal: the contribution of VET' (final report to the European Commission) [http://ec.europa.eu/education/policies/2010/studies/maastricht\\_en.pdf](http://ec.europa.eu/education/policies/2010/studies/maastricht_en.pdf)

**Figure 16. Economic inactivity rates by highest qualification, 2004 (per cent of the working age population)**



Source: Labour Force Survey

2.86 Data on the qualifications held by pupils in the final year of formal education shows that pupils in West Wales and the Valleys under-perform the average for East Wales and Wales as a whole. Across West Wales and the Valleys the percentage of pupils that achieve five or more GCSEs grade A\*-C or vocational equivalent is below the average for East Wales and Wales as a whole. Pupils in West Wales and the Valleys also under-perform in the core subjects (English or Welsh, Maths and Science). In addition, the average GCSE/GNVQ points score in West Wales and the Valleys is also below the average for East Wales and Wales as a whole and a higher proportion of pupils in West Wales and the Valleys leave school without any formal qualifications.

**Table 14: Attainment of pupils in final year of compulsory education (percentage) 2005/06 provisional results**

Maintained schools in...	Percentage of pupils in final year of compulsory education who...					
	Achieved five or more GCSEs grade A*-C or vocational equivalent	Achieved five or more GCSEs grade A*-G or vocational equivalent	Achieved one or more GCSEs grade A*-G or vocational equivalent	Average GCSE/GNVQ points score	Achieved no GCSE, GNVQ or ELQ (a)	Achieved GCSE grade A*-C in each of the core subjects (b)
East Wales	54.7	87.1	93.5	42.4	3.6	40.8
West Wales and Valleys	52.0	85.5	93.2	40.1	3.9	37.6
Wales (c)	53.4	85.9	93.1	41.0	4.1	39.4

(a) Entry Level Qualification: Certificate of Educational Achievement or Certificate of Achievement.

(b) Core Subject Indicator: Achieved GCSE grade A\*-C in each of English or Welsh, maths and science.

(c) Includes independent schools.

Source: Office for National Statistics

2.87 Linked to the above analysis, West Wales and the Valleys has a slightly lower proportion of pupils continuing in further education beyond the age of 16 than compared to East Wales and the average for Wales as a whole. In total 73% of pupils in West Wales and the Valleys continue in schools or further education institutions following the final year of compulsory education, compared to 74% across Wales as a whole and 76% across East Wales.

2.88 The qualification levels of 16-18 year olds across West Wales and the Valleys (and Wales and East Wales) are much in line with the UK average. In the 19-21 year age bracket there are two noticeable differences. Firstly, West Wales and the Valleys has a higher proportion of 19-21 year olds without any formal qualifications compared to Welsh and UK averages (10% for West Wales and the Valleys and 8% for Wales and the UK). Linked to this, West Wales and the Valleys has a lower proportion of 19-21 year olds with higher level skills ( level 3 and above) than Wales and the UK (50% for West Wales and the Valleys and 52% for Wales and the UK).

2.89 Table 15 shows the achievement of pupils entered for at least 2 A/AS Levels across West Wales and the Valleys, East Wales and Wales as a whole. As Table 15 shows A/AS level achievement across West Wales and the Valleys is below the Welsh average.

**Table 15: Attainment of pupils aged 17 at the start of the academic year, 2005/06 provisional results**

Maintained schools in...	Percentage of pupils who entered 2 or more A/AS Levels or achieved vocational equivalent who...		
	Achieved 2 or more A/AS levels grade A-C or vocational equivalent	Achieved 2 or more A/AS levels grade A-E or vocational equivalent	Average points score per pupil
East Wales	69.0	94.1	20.7
West Wales and Valleys	66.2	93.3	19.3
Wales	68.2	93.8	20.2

Source: Office for National Statistics

2.90 A variety of studies<sup>60</sup> have found that it is possible to dramatically improve the life chances of disadvantaged children through well-funded and sustained early years interventions. These include intensive programmes that are focused on the most disadvantaged. The evidence also shows that continued support for the most disadvantaged throughout schooling can help to raise employment prospects. Evidence<sup>61</sup> from the Education Maintenance Allowance (EMA) (financial support available to disadvantaged children to maintain in school post 16) shows that young people who had spent two years in post-16 education were generally in a better position than those who had entered the labour market immediately after compulsory education. In particular, those who spent two years in post-16 education before entering the labour market at 18, were much more likely to be in managerial, professional and associated professional and technical jobs.

2.91 Additional evidence<sup>62</sup> shows that the EMA increased the proportion of 16-18 year olds who were in full-time education at both age 16 and 17 by 6.1 percentage points; the effect was particularly strong for young men (8.6 percentage points). The largest effect was on young people from lower socio-economic groups in particular those from semi-skilled and unskilled workers and those not in work. EMA also had a substantial impact on young people who had been 'low' or 'moderate' achievers at the end of Year 11. In addition young people that received the EMA were less likely to 'long-term' NEET (14.2 per cent) than those that did not receive support (23.2 per cent).

<sup>60</sup> For a review of the evidence underpinning the statements in this paragraph, see Cunha, F., Heckman, J., Lochner, L. & Masterov, D. (2005) *Interpreting the evidence on life cycle skill formation*

<sup>61</sup> Department for Education and Skills (2006) young people and the labour market: Evidence from the EMA pilots database. <http://www.dfes.gov.uk/research/data/uploadfiles/RW59.pdf>

<sup>62</sup> Department for Education and skills, 2005, Evaluation of the Education Maintenance Allowance pilots: Young people aged 16 to 19 years final report of the quantitative evaluation <http://www.dfes.gov.uk/research/data/uploadfiles/RR678.pdf>

2.92 Further evidence<sup>63</sup> shows that individuals still receive a positive premium for each year in school despite the rise in the supply of education. In the UK there has been a large expansion in the supply of qualified labour. This expansion has not led to a fall in the average return to a year of schooling in the UK, suggesting that the demand for qualifications in the UK is still sufficiently high to justify further expansion.

2.93 Following the changing composition for the demand for labour resulting in falling demand for individuals with low skill levels<sup>64</sup> training throughout an individuals working life has increased in importance. Lifelong learning is the concept that 'It's never too soon or too late for learning' and covers all education and training for individuals of working age, although indicators typically include those aged 25-64.

2.94 Table 16 shows the percentage of adults aged 25-64 that are participating in lifelong learning. As Table 16 shows both Wales and the UK as a whole have a higher percentage of adults aged 25-64 in lifelong learning than Europe. The percentage of adults aged 25-64 participating in life-long learning across West Wales and the Valleys is below the average for Wales as a whole, albeit marginally. Across Wales as a whole and across the sub-regions, participation in life-long learning is above the 12.5% target as set in the European Employment Strategy<sup>65</sup>.

**Table 16: Participation in lifelong learning, 2004 (a)**

	<b>Percentage of adults aged 25-64 in education and training</b>
West Wales and the Valleys	14.3
East Wales	15.5
Wales	14.8
UK	15.5
EU(15)	9.3
EU(25)	8.6

(a) Life-long learning indicator refers to persons aged 25 to 64 who answered they received education or training in the four weeks preceding the survey (numerator). The denominator consists of the total population of the same age group, excluding no answers to the question 'participation to education and training'.

Source: Eurostat

2.95 As noted above, skills are very important in determining labour market outcomes, in particular economic inactivity. However, the skills of the labour force can also have implications for employers. The Future Skills Wales<sup>66</sup> survey aims to

<sup>63</sup> Powdthavee, N and Vignols, A 2005. Using rate of return analysis to understand sector skill needs. Centre for the Economics of Education <http://cee.lse.ac.uk/cee%20dps/ceedp70.pdf>

<sup>64</sup> Faggio, G and Nickell, S, 2005. Inactivity Among Prime Age Men in the UK. *CEP Discussion Paper* 673: <http://cep.lse.ac.uk/pubs/download/dp0673.pdf>

<sup>65</sup> European Commission (2005/600/EC) Council decision of 12 July 2005 on guidelines for the employment policies of the Member States. [http://eur-lex.europa.eu/LexUriServ/site/en/oj/2005/l\\_205/l\\_20520050806en00210027.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2005/l_205/l_20520050806en00210027.pdf)

<sup>66</sup> The Future Skills Wales Partnership's collective aim is to provide reliable information on the skill deficiencies employers in Wales are experiencing which can be used to inform skills development

provide information on skills' gaps among employers in Wales. Results from the latest survey show that 18% of employers in Wales reported a skills gap in 2005. This figure is broadly in line with previous years' surveys. The skills most commonly lacking among employees were generic skills, such as problem solving skills, customer handling skills, communication skills and team working.

2.96 Analysis<sup>67</sup> of skill shortages on a sectoral basis in Wales highlight that the occupations with the highest proportion of hard-to-fill vacancies reported were Skilled Trades, Associate Professional occupations and Elementary occupations. Amongst these hard-to-fill vacancies just over half were due to skill shortages in technical and practical skills

2.97 Recent evidence<sup>68</sup> has further highlighted the importance of generic skills in determining individuals' outcomes in the labour market and to the wider social status of individuals. Generic skills such as communication skills, the ability to pay attention and problem solving skills are found to be important in determining labour market outcomes, although to a lesser extent than formal qualifications.

2.98 A proficiency in ICT is also important for a very large number of jobs in the UK, and according to e-Skills UK, 90% of new jobs now require some level of ICT skills and over 400,000 employees need to increase their IT skills to meet growing demand. The development of ICT skills across the workforce is required for developing, operating and maintaining ICT systems, making effective use of tools used in modern office environments, exploiting new ways of conducting business and organisational processes, and to establish new enterprises.

## **Industrial structure, innovation and R&D**

2.99 In addition to human capital, recent evidence<sup>69</sup> has highlighted the importance of industrial structure in explaining regional differences in productivity and overall economic performance. Across Wales as a whole and its sub-regions there is a relatively high representation of civilian workforce jobs in declining industries typically with low value added. Although East Wales has a higher representation of employment in service sector activities compared to the Welsh average there is still a higher representation of employment in agriculture and production activities both of which have seen a decline in employment over recent years. The high representation of employment in agriculture is particularly pronounced in Powys where some 12% of all employment is within this sector. The high relative

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policy and planning. The survey is far reaching and is based on information gathered from no fewer than 6,719 organisations across Wales between March and May 2005. Further details are available at: <http://www.futureskillswales.com/>

<sup>67</sup> Future Skills Wales, 2005, Future Skills Wales: Sector Skills Survey.

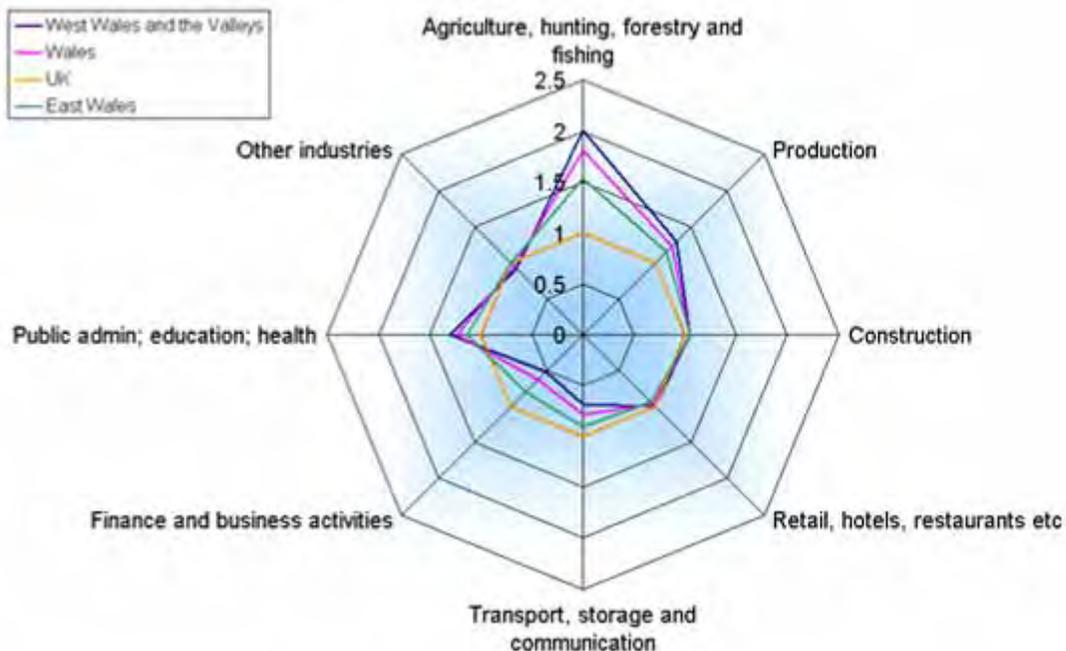
<http://www.futureskillswales.com/eng/content.php?cID=5&pID=1&zID=100&nID=136>

<sup>68</sup> Blanden, J et al 2005, Educational Inequality and Intergenerational Mobility in S Machin and A Vignoles (eds) *What Can Education Do?* Centre for the Economics of Education.

<sup>69</sup> Rice, P and Venables, A, 2004, 'Spatial determinants of productivity analysis for the regions of Great Britain', *CEP Discussion Paper No.642*.

employment concentration in agriculture et al and production sectors and the relatively low concentration of employment in finance and business services are even more pronounced for West Wales and the Valleys. Figure 17 summarises the distribution of civilian workforce jobs across Wales and its sub-regions according to broad industrial groups<sup>70</sup>. The evidence<sup>71</sup> suggests that it is important not only to improve employment opportunities but to improve these opportunities in higher value added sectors. Such improvements will help to improve the productivity of Wales and its overall economic prosperity.

**Figure 17. Civilian workforce jobs (UK=1)**



Source: Office for National Statistics

2.100 The industrial structure of Wales helps to explain Wales' relative position on a number of headline indicators of innovation and R&D. For example, overall R&D expenditure as a percentage of GVA across Wales (sub-Wales data are not available) is below the average for the UK as a whole at 1.3% of total GVA. The main underlying factor explaining this low figure is the proportionately lower R&D expenditure found within the business sector in Wales. This is mostly reflective of the industrial structure of the Welsh economy with, for example, relatively low representation of pharmaceutical companies that have high R&D spend.

2.101 The industrial structure of Wales has implications on labour market indicators associated with innovation and R&D. The number of researchers provides a useful

<sup>70</sup> The chart is illustrated as a location quotient. A location quotient measures the relative concentration of a variable compared to a benchmark area.

<sup>71</sup> Rice, P and Venables, A, 2004, 'Spatial determinants of productivity analysis for the regions of Great Britain', *CEP Discussion Paper No.642*.

proxy for the number of people employed in providing high value-added services and research and development functions. West Wales and the Valleys has a lower number of researchers in HEIs per 10,000 population than across Wales and the UK as a whole. Using data from the UK's Annual Population Survey; West Wales and the Valleys had a lower proportion of total employment in R&D related activities than compared to Wales and the UK as a whole. In total 2% of all employment was in R&D related activities across West Wales and the Valleys compared to 2.3% for Wales and the UK respectively. Across East Wales, however, 2.6% of all employment was in R&D related activities.

2.102 Information on employment in high technology sectors<sup>72</sup> is collected by Eurostat and shows the proportion of total employment that is in high and medium high technology and knowledge intensive high technology services sectors. The data set is useful, as it is possible to make comparisons across West Wales and the Valleys to that of the average for the EU25. Table 17 shows the latest data.

2.103 As Table 17 shows, the proportions of employment in high and medium high technology manufacturing and knowledge-intensive high-technology services in West Wales and the Valleys and East Wales are below that of the UK and European averages, representing just under 10% of total employment in the sub-region. The figure for West Wales and the Valleys is, however, higher than for Wales as a whole. This is partially explained by the high representation of manufacturing employment in West Wales and the Valleys, some of which is in high technology sub-sectors. Between 2001 and 2004, however, employment in high and medium high technology manufacturing and knowledge-intensive high-technology services in East Wales fell as a percentage of total employment in the sub-region.

**Table 17: Employment in high and medium high technology manufacturing and knowledge-intensive high-technology services, percentage of total employment**

	2001	2004	Change since 2001
EU25	10.26	10.18	-0.08
EU15	11.17	10.46	-0.71
UK	11.93	10.00	-1.93
Wales	9.64	9.69	0.05
East Wales	10.04	9.41	-0.63
West Wales and the Valleys	9.38	9.88	0.50

Source: Eurostat

<sup>72</sup> 'Statistics on high-tech industries and knowledge-intensive industries' comprise economic, science, technology, innovation and employment data describing manufacturing and services industries broken down by technological intensity. Further details are available at: [http://epp.eurostat.ec.eu.int/portal/page?\\_pageid=0,1136250,0\\_45572555&\\_dad=portal&\\_schema=PORTAL](http://epp.eurostat.ec.eu.int/portal/page?_pageid=0,1136250,0_45572555&_dad=portal&_schema=PORTAL)

## Deprivation

2.104 Table 18 provides information on relative income poverty<sup>73</sup> in Wales compared to the regions and devolved administrations of Great Britain. In Wales, 21% of the total population were in households in relative income poverty, a little higher than for Great Britain as a whole (20%). A total of 19% of working age adults and 18% of pensioners in Wales were in households of relative income poverty, both slightly higher than for Great Britain as a whole. The proportion of children living in households of relative income poverty was above that for Great Britain as a whole, albeit marginally.

**Table 18: Risk of being in low-income groups after housing costs, percentage (3-year rolled average 2002/03–2004/05)**

	All People	Working age adults	Children	Pensioners
North East	23	21	32	18
North West and Merseyside	21	19	29	20
Yorkshire and the Humber	21	19	29	19
East Midlands	21	19	26	22
West Midlands	23	20	30	22
Eastern	18	15	22	21
London	27	24	39	21
South East	17	15	21	18
South West	19	17	25	18
Scotland	20	19	25	18
<b>Wales</b>	<b>21</b>	<b>19</b>	<b>28</b>	<b>18</b>
England	21	19	28	20
Great Britain (a)	20	18	27	17

(a) Totals for Great Britain and shown for the year 2004/05 only and are not 3-year rolled averages. Source: DWP, Households below Average Income 2004/05

2.105 Recent evidence<sup>74</sup> has highlighted some of the trigger events that result in large changes in individual income levels and entry into poverty. One of the main events is a marital split which account for some 40% of entries into poverty. This has particular implications for lone parents. It is however important to look at repeat poverty spells. The average duration of being in poverty is 3.6 years and more time spent in poverty is associated with having more children, being a lone parent, being elderly and not working. The evidence highlights the importance of the labour market as a route out of poverty for those of working age and job retention is crucial in

<sup>73</sup> Income poverty is defined as below 60 per cent of median household income. The results above are based on the 'after housing costs' measure but data is available in the full report on both a 'before housing costs' and 'after housing costs' basis.

<sup>74</sup> JENKINS, S (2006) Poverty dynamics, family background and attainment: BHPS evidence. Seminar to the Welsh Assembly Government.

preventing entries into poverty. Particular help is required for certain groups that are at higher risk of entering poverty which include families with children and in particular lone parents.

2.106 The Welsh Index of Multiple Deprivation 2005 (WIMD)<sup>75</sup> is the official measure of deprivation for small areas in Wales. Deprivation is a wider concept than poverty. Poverty means not having enough money (or other essentials) to get by. Deprivation refers to problems caused by a general lack of resources and opportunities (not just money). The WIMD 2005 is made up of seven separate kinds of deprivation<sup>76</sup>. Figure 18 summarises the overall picture, showing that areas of the upper valleys have the highest relative concentration of deprivation across West Wales and the Valleys and Wales as a whole<sup>77</sup>. Within East Wales severe pockets of deprivation are present particularly around the City regions of Cardiff and Newport. Indeed, the most deprived small area in Wales is located in Cardiff.

2.107 Figure 18 also shows some interesting findings in terms of rural and urban deprivation. While it is acknowledged that rural deprivation is an issue in Wales, particularly in terms of access (see figure 19), many of the most deprived areas within local authorities typically rural in nature (Pembrokeshire, Gwynedd and Ceredigion for example) are around urban centres. The most deprived areas in Pembrokeshire are around the urban areas of Pembroke Dock and Milford Haven. In Gwynedd, one of the most deprived areas is Caernarfon, and Holyhead in Anglesey is the most deprived area within the Local Authority<sup>78</sup>.

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<sup>75</sup> For further details see: <http://www.wales.gov.uk/keypubstatisticsforwales/wimd2005.htm>

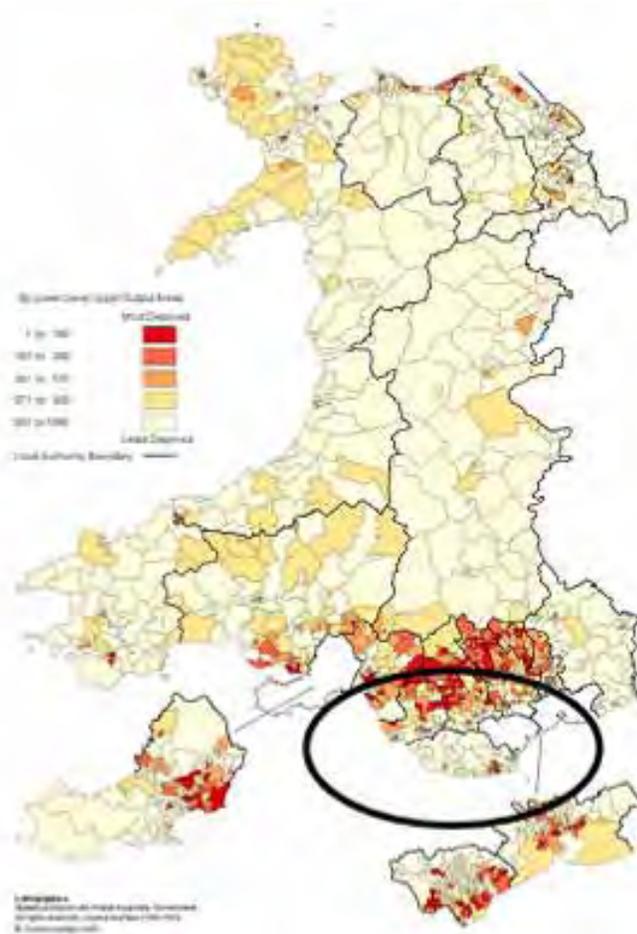
<sup>76</sup> Income, employment, health, education, housing, access to services and environment.

<sup>77</sup> Although city wards of Cardiff, Newport and Swansea also suffer from high relative deprivation.

<sup>78</sup> Further Local authority analysis is available at:

<http://www.wales.gov.uk/keypubstatisticsforwales/wimd/wimd2005-analysis/wimd2005-analysis-r1.htm>

**Figure 18. Overall Index of Multiple Deprivation**



Source: Welsh Index of Multiple Deprivation 2005

2.108 Overall, the most deprived 10% of Lower layer Super Output Areas (LSOAs) in Wales have around twice the concentration of both income and employment deprived individuals as the average for Wales as a whole. Therefore, it is in these areas where the concentration of deprivation is greatest. Across the Local Authorities in Wales, Merthyr Tydfil had the largest percentage of LSOAs in the most deprived 10% of LSOAs. In total, 36% of all LSOAs in Merthyr Tydfil were in the most deprived 10% in Wales. Table 19 shows the number and percentage of LSOAs within each Local Authority that are within the most deprived in Wales.

2.109 As Table 19 shows the Local Authorities in Wales with the highest concentration of deprivation include Merthyr Tydfil, Blaenau Gwent, Rhondda Cynon Taff and Neath Port Talbot. Local Authorities with the lowest concentration of deprivation include Monmouthshire, Powys and Ceredigion. Interestingly Cardiff had a high proportion of LSOAs within the 10% most deprived and the highest absolute number of LSOAs within this category in Wales.

**Table 19: Number and percentage of LSOAs within each local authority that are within the most deprived (10%, 20%, 30% or 50%) in Wales**

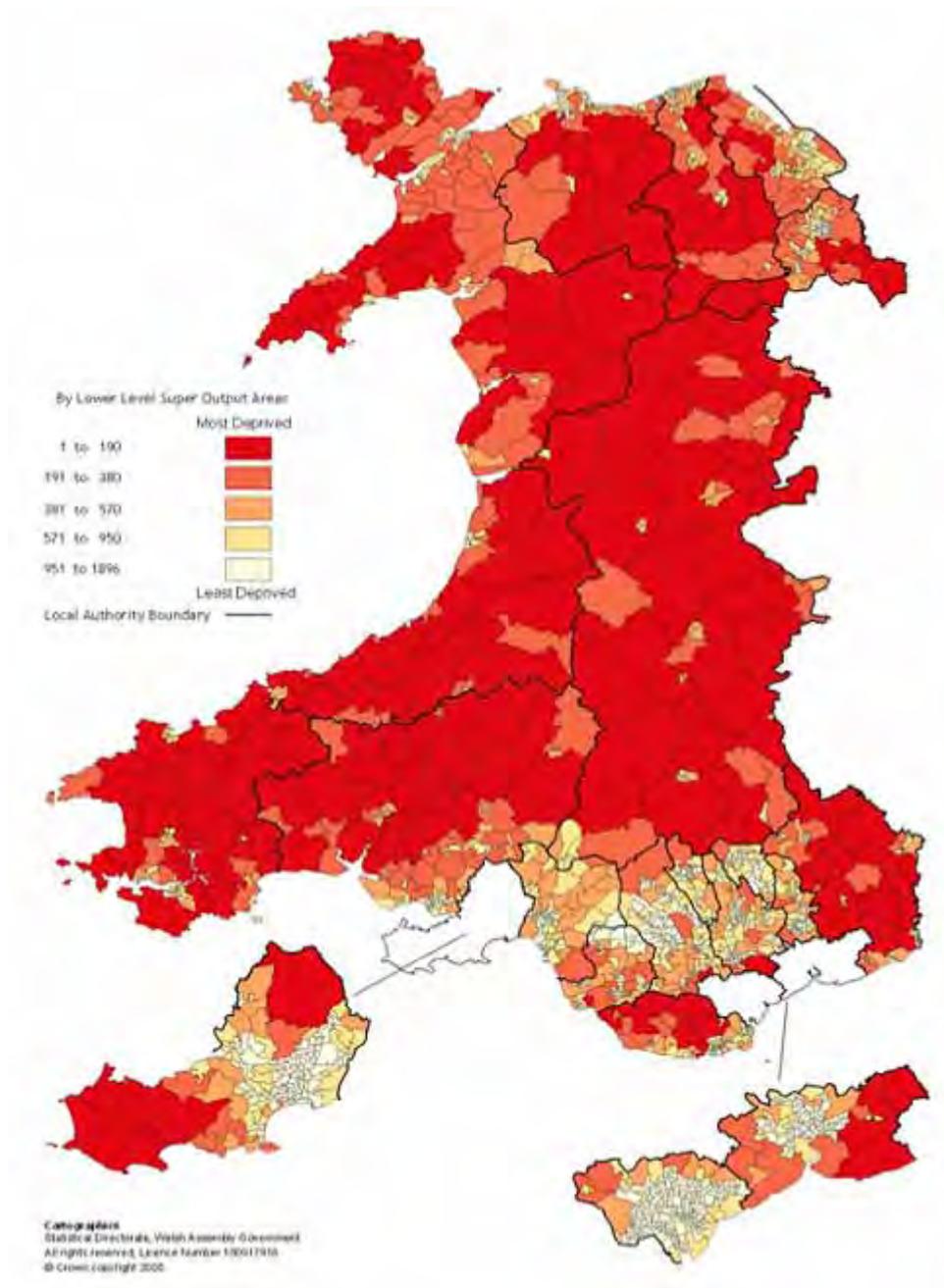
Local Authority	10%		20%		30%		50%	
	Number	% of LA						
Isle of Anglesey	1	2%	5	11%	9	20%	27	61%
Gwynedd	2	3%	3	4%	5	7%	29	39%
Conwy	3	4%	9	13%	14	20%	29	41%
Denbighshire	5	9%	9	16%	10	17%	23	40%
Flintshire	2	2%	6	7%	14	15%	27	29%
Wrexham	6	7%	13	15%	22	26%	35	41%
Powys	0	0%	1	1%	4	5%	18	23%
Ceredigion	0	0%	1	2%	2	4%	11	23%
Pembrokeshire	2	3%	6	8%	9	13%	29	41%
Carmarthenshire	7	6%	16	14%	26	23%	65	58%
Swansea	22	15%	37	25%	48	33%	70	48%
Neath Port Talbot	17	19%	31	34%	50	55%	66	73%
Bridgend	10	12%	18	21%	30	35%	50	59%
The Vale of Glamorgan	2	3%	5	6%	13	17%	23	29%
Cardiff	33	16%	55	27%	70	34%	91	45%
Rhondda Cynon Taff	29	19%	57	38%	79	52%	114	75%
Merthyr Tydfil	13	36%	20	56%	26	72%	31	86%
Caerphilly	12	11%	32	29%	49	45%	82	75%
Blaenau Gwent	12	26%	22	47%	33	70%	42	89%
Torfaen	2	3%	8	13%	23	38%	33	55%
Monmouthshire	0	0%	0	0%	3	5%	8	14%
Newport	10	11%	26	28%	21	33%	47	50%
<b>Wales</b>	<b>190</b>	<b>10%</b>	<b>380</b>	<b>20%</b>	<b>570</b>	<b>30%</b>	<b>950</b>	<b>50%</b>

Source: Welsh Index of Multiple Deprivation 2005

2.110 The WIMD also provides a useful insight into issues of access to services<sup>79</sup>. Figure 19 shows this kind of deprivation is concentrated in the western areas of Wales rather than the valleys. The access to services domain not only provides an insight to the quantum of services in a given location, but also relative access to transport since the indices are measured as time taken to access a given service.

<sup>79</sup> Services include, access to food shop, GP, schools, NHS Dentist, public library and leisure centre. For more details see: <http://www.wales.gov.uk/keypubstatisticsforwales/wimd/wimd2005-report/wimd2005-report-geo.htm>

**Figure 19. Access to services**



Source: Welsh Index of Multiple Deprivation 2005

2.111 Although individuals' characteristics are viewed in the academic literature<sup>80</sup> as more important in determining economic outcomes, evidence on the significance of

<sup>80</sup> See Durlaf, S, 2004. Neighbourhood Effects. *Handbook of Urban and Regional Economics, Volume 4, Economics*, J. V. Henderson and J.-F. Thisse, eds.  
Mackay, S, 2003 Local Area Characteristics and Individual Behaviour. Social Research Division, Department of Work and Pensions. In-house report 123.

'place' shows that the overall attractiveness of a town or region can have a significant impact on the economic outcomes of the inhabitants<sup>81</sup>. The environment can therefore be an important driver of economic and social well being, as well as being a public good in its own right. A high quality environment can help stimulate the delivery of growth and competitiveness agendas and there are economic opportunities to exploit in the growing environmental goods and services sector. Preserving and enhancing the quality of the environment will be increasingly important for our economy and quality of life in the era of the knowledge economy.

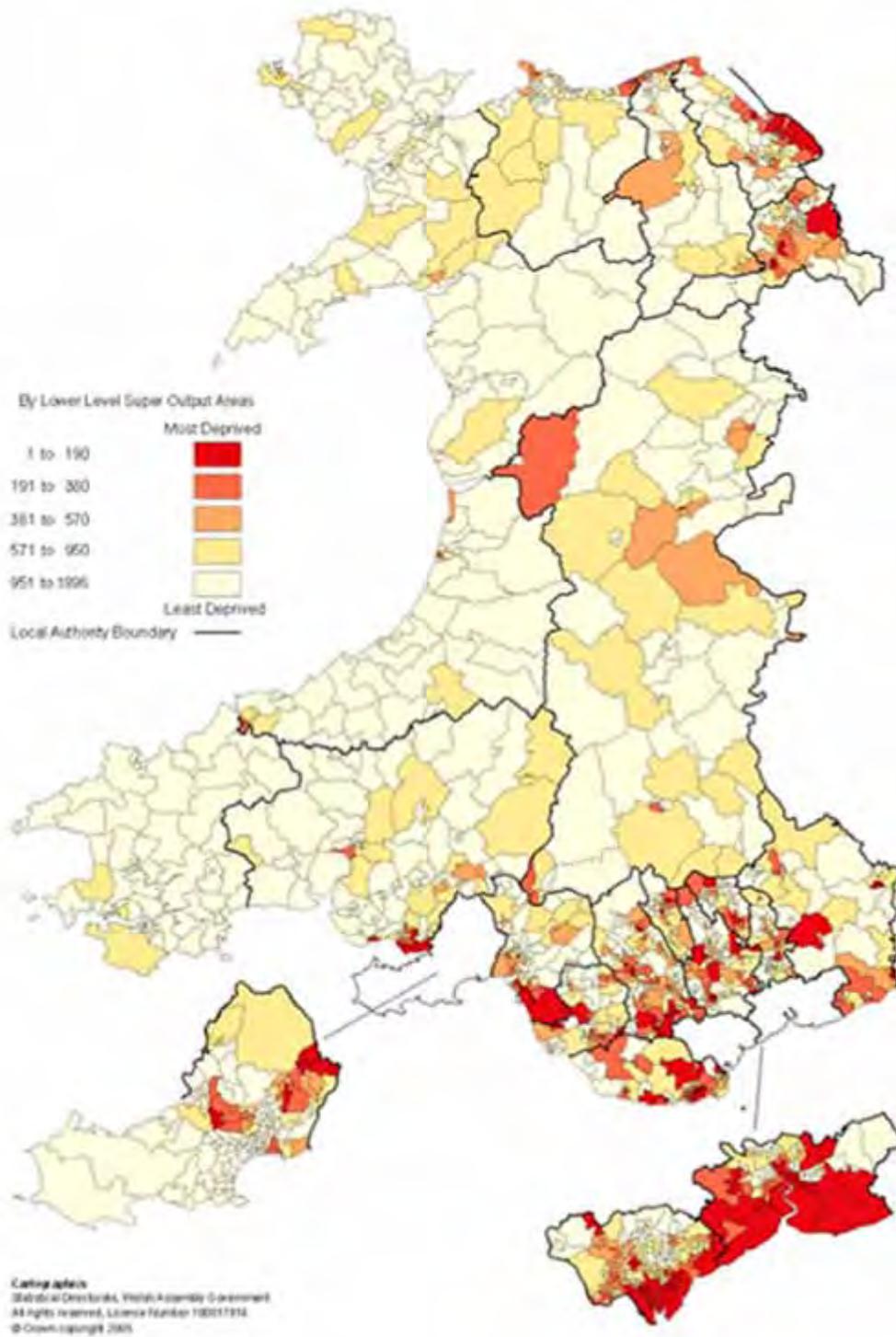
2.112 The environment domain from the WIMD 2005 is intended to model the factors related to the physical environment which may affect quality of life. The domain includes indicators such as air quality, air emissions, access to waste disposal site, relative proximity to Environment Agency regulated industrial sources and risk of flooding.

2.113 Figure 20 shows that the main areas of environmental deprivation are seen across Cardiff and Newport, especially around the city centre wards and former heavy industrial areas (Newport in particular).

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<sup>81</sup> Dynamic Small Towns: Identification of Critical Success Factors. Report for the Economic Research Advisory Panel 2002.

Figure 20. Physical Environment Deprivation



Source: Welsh Index of Multiple Deprivation 2005

2.114 Of the top 10% LSOAs in the Welsh Index of Multiple Deprivation, i.e. the 10% most deprived, the majority are located in West Wales and the Valleys. One of the seven core indicators within the Welsh Index of Multiple Deprivation (2005)<sup>82</sup> is access to services. Further studies have demonstrated that other factors of deprivation, such as low income and economic inactivity, also appear to reinforce constraints on service usage<sup>83</sup>.

2.115 The need for further reform of public services in Wales was evidenced by the independent Beecham Review of Local Service Delivery, commissioned by the Welsh Assembly Government, in its report *Beyond Boundaries*<sup>84</sup>. It gathered evidence from 300 organisations and people, benchmarked service performance in Wales against comparators in England and surveyed the public. The Review concluded that performance in Wales as a whole was patchy across a wide range of services and identified 3 key barriers to improvement.

2.116 The culture in public services is too rigid and insufficiently cross-cutting, lacking in responsiveness and ambition. The machinery of government is too complex. In addition, the capacity of leaders, managers and the workforce is over-stretched, with concerns including: leadership (political and managerial, organisations), strategic and cross-cutting thinking (on health, employment, skills, inequalities), specialist expertise (professional skills, project management, contracting, e-government), skills (communication, negotiation, relationship management), challenge and innovation. A separate study has confirmed that workforce planning and strategic thinking about workforce development in public services in Wales is poor.

2.117 The pressure on capacity is growing as the nature of service delivery is changing. Services have to be more responsive to individual needs and circumstances. They are more dependent on networks of organisations to respond to increasingly specialised or complex requirements in areas such as health, education and transport. The financing models are more complex around capital development and asset management. Engagement of the community and partners in service planning and delivery is increasingly critical to service change.

2.118 The access challenges in West Wales and the Valleys are not uniform however, and public services need to respond to a complex patchwork of need. Some access challenges are common across the region and may be open to

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<sup>82</sup> <http://www.lgdu-wales.gov.uk/eng/WimdProject.asp?id=1762>

<sup>83</sup> For example: 'Social Exclusion and Lack of Access to Services - Evidence from the 1999 PSE Survey of Britain', Bramley G. and Ford T., Herriott-Watt University, 2001

<sup>84</sup> The Beyond Boundaries Report, Welsh Assembly Government, <http://new.wales.gov.uk/about/strategy/makingtheconnections/beecharreview/beecharrep?lang=en>

collective solutions: geographical access is an issue in rural West Wales, and is also relevant to many Valleys communities. Where people face multiple deprivation, however, tailored interventions are needed: for example, in rural areas, the evidence suggests that a higher proportion of the rural poor are likely to be older people<sup>85</sup>, who have been demonstrated to require the highest levels of care and support from public services.

2.119 Capacity issues are compounded by skills gaps in the region and by the relatively small size of many delivery bodies. For example its local authorities on average serve a smaller population, some as low as 60,000, than the all-Wales average. This is reflected in the voluntary sector. The challenge is to sustain the resulting advantages of local awareness and accountability while finding ways of strengthening the capacity to respond to rapidly changing service imperatives and innovate.

2.120 *Beyond Boundaries* endorsed the Assembly Government's approach to public service reform set out in *Making the Connections* (October 2004) and subsequent action plan. It recommended that it be pushed faster and further. A recent report commissioned by the Improvement & Development Agency, has reported a lack of expertise in managing change. 72% of local authorities in England report skills gaps in organisational and change management affecting crucial areas of reform, and over 60% of authorities in business process re-design<sup>86</sup>. This re-inforces the capacity shortfalls identified in the Beecham Report on local service delivery in Wales.

2.121 All public service bodies in Wales will have to undergo significant change over the next 5 – 7 years in the way they plan, design and deliver services. This is due to major changes in demand for, and design of public services, due to demographic and societal change, including issues such as the increase of 47% in those over the age of 85 by 2018, declining numbers of children and the incidence of family-related problems. The increasing requirement of people, communities and businesses for a broader, more responsive, and diversified range of public services which can be tailored to their particular needs, for example wider curriculum choices in schools and colleges and flexible learning pathways, which can be more easily accessed across the whole community are a second factor.

2.122 The third factor is the increasing emphasis on delivering better outcomes and the consequent need for public services to work together in a much more integrated way (local government, health service, education, third sector etc), e.g. to reduce economic inactivity, build a skilled workforce, promote local sustainable communities; the need to deliver services and networks (including complex

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<sup>85</sup> Welsh Assembly Government (2003) *The Age-Related Housing, Domiciliary Care and Support Requirements of Older People in Wales*

<sup>86</sup> Improvement and Development Agency report, *The future shape of local authorities' workforces*, April 2007, <http://www.idea.gov.uk/idk/aio/6205504>

environmental issues such as waste management, public transport provision, commissioning care for people with high needs) which depend on specialist knowledge and management capacity which can only be mobilised through regional or sub-regional partnerships; and the need to be agile in managing resources in order to sustain and improve front-line services in a period of limited growth in public expenditure through greater efficiency in key business processes and resource allocation.

2.123 The demand for change in public services sector design and delivery is informed by a body of evidence from a number of key sources, which are consistent in their messages. Much of this evidence is brought together in the 2006 report of the Review of Local Service Delivery in Wales (the Beecham report), commissioned by the Welsh Assembly Government. On the basis of evidence from 300 organisations and individuals and analysis of data, it concluded that current service performance in Wales was patchy in comparison with a family of comparators. The capacity to lead and manage change, partnerships, projects and cross-cutting approaches was over-stretched, the organisational culture was too conservative and not sufficiently ambitious, the system of government and service delivery was too complex. The report concluded that Wales could become an exemplar of small country governance if it delivered on four critical success factors: citizen engagement, focus on delivery, effective partnerships and openness to constructive challenge.

2.124 The Wales Audit Office (the national public audit body) and the individual service inspectorates re-enforce these conclusions in their annual reporting mechanisms, identifying corporate and expert capacity as areas of continuing high risk. This includes HR functions and workforce development. Analysis shows significant skills shortages within the voluntary sector, including at the management and problem-solving level. On regeneration, the Wales Audit Office has identified the need for more effective partnership working to deliver a more strategic and co-ordinated approach, and to build capacity and skills in planning, project management and community development<sup>87</sup>.

2.125 If the economy of West Wales and the Valleys is to make the step change it aspires to, its public services as a whole have to be not only comparable with the best, but also able to support and drive economic growth within the area. However, the challenge is greater for public service bodies in the Convergence region than elsewhere in Wales.

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<sup>87</sup> Wales Audit office report – Regeneration: A Simple approach for Wales, August 2005  
<http://www.wao.gov.uk/assets/englishdocuments/Regeneration.pdf>

## **SWOT Analysis**

2.126 The following summarises the socio-economic evidence in the form of a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. The SWOT analysis highlights the particular areas where Wales stands out as being different to the rest of the UK as a whole, as well as providing key areas where targeted intervention can best make an impact. The SWOT is disaggregated at the all-Wales level to show where there are distinct differences between West Wales and the Valleys, and East Wales. However, common themes are present in both East Wales and West Wales and the Valleys.

**Table 20: West Wales and the Valleys SWOT Analysis**

Strengths	Weaknesses
<p>-Improvements in the labour market conditions with rising employment coupled with falling unemployment and falling economic inactivity show problems not to be intractable.</p> <p>-Higher employment growth across West Wales and the Valleys compared to Wales, the UK and the EU as a whole.</p> <p>-Rise in female employment with the current employment rate above the 60% target set in the Lisbon agenda.</p> <p>-Lower gender pay gap than across the UK as a whole, although still above EU average.</p> <p>-Lower proportion of pupils leaving school at 16 without attaining a formal qualification than across Wales as a whole.</p> <p>-Very good quality natural environment in almost all areas of West Wales and the Valleys, attractive to tourists and in principle should be attractive to families and investors.</p> <p>-Good quality of life helping to increase net migration into Wales.</p>	<p>-Low GDP per head relative to all Wales and UK averages. Despite improvements, West Wales and the Valleys, has lower employment, higher economic inactivity and higher unemployment than for Wales as a whole and compared to the UK average.</p> <p>-Higher dependency ratio than compared to the European average explained by a higher representation of individuals above the working age.</p> <p>-Fall in the population of 11-25 year olds between 1991 and 2004.</p> <p>-Net out-migration of individuals aged 16-24.</p> <p>-Higher rate of economic inactivity than the average for the EU as a whole.</p> <p>- Higher unemployment rate amongst disadvantaged groups (disabled individuals, Black &amp; Minority Ethnic Groups).</p> <p>-Lower than average earnings than for Wales and UK as a whole.</p> <p>-Higher incidence of poor health coupled with a higher proportion of people reporting to be economically inactive due to ill health.</p> <p>-Adverse skills profile, with a high proportion of individuals without any formal skills.</p> <p>- Only 30% of individuals aged 16-24 without any qualifications are in employment compared to 70% for those with Level 4 and above. The employment rate for young people without any qualifications is over 10</p>

	<p>percentage points lower than for any other age bracket.</p> <ul style="list-style-type: none"><li>- Adverse skills profile for individuals with a disability compared to those without.</li><li>- Higher proportion of 19 – 21 year olds without any formal qualifications than compared to Welsh and UK averages.</li><li>-Low levels of basic skills across Wales as a whole (sub-Wales data not available) than compared to England.</li><li>- Rise in the number of young people not in employment, education or training (NEET).</li><li>-Greater importance placed on preventing the build up of substantial periods of unemployment and NEET for young people given the scaring effects this can have on individuals.</li><li>-A higher proportion of females across West Wales and the Valleys do not have any formal qualifications than compared to males.</li><li>-High proportion of females working in part-time employment.</li><li>-Poor accessibility and problems with affordability of childcare.</li><li>-Lower proportion of pupils achieving five or more GCSEs grades A*-G or vocational equivalent than compared to the average for Wales as a whole.</li><li>-Lower proportion of pupils staying on at further education at the age of 16 coupled with lower A/AS level attainment than compared to Wales as a whole.</li><li>-Over-reliance on low value-added declining sectors in particular. agriculture and production.</li></ul>
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	<ul style="list-style-type: none"> <li>-Lower R&amp;D expenditure as a percentage of GDP than for the UK as a whole.</li> <li>-Lower proportion of employment in high and medium technology manufacturing and knowledge-intensive high-technology services.</li> <li>-High levels of overall deprivation driven in the main by income and employment deprivation.</li> <li>-Higher proportion of Welsh children living in workless households than compared to UK and EU25 average.</li> <li>-Remoteness of some areas of West Wales and the Valleys with relatively poor access to markets and public services.</li> <li>- Demographic and societal changes e.g. increase in numbers of elderly, declining number of children and incidence of family problems, creating new and changing pressures / demands for public services.</li> <li>- Failure to modernise delivery of public services and associated inefficiencies caused by capacity issues and skills gaps e.g. project management and leadership, amongst the workforce.</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>-Opportunity to build on the strengths of the previous round of Structural Funds and the increase in capacity for community, public and private sector regeneration.</li> <li>-Opportunities to utilise existing higher education infrastructure to improve the skills of the population.</li> <li>-Opportunities to improve the educational outcomes of children by effective targeted interventions on the</li> </ul>	<ul style="list-style-type: none"> <li>-Falling demand for low skilled individuals cited as principal cause for higher economic inactivity in West Wales and the Valleys. As demand continues to fall, social issues become entrenched.</li> <li>-Nearly 1 in 5 businesses reporting a skills gap in Wales.</li> <li>-Ageing population resulting in a lower relative proportion of working age individuals (high dependency</li> </ul>

<p>most disadvantaged.</p> <ul style="list-style-type: none"> <li>-Opportunities available across some parts of West Wales and the Valleys from in-migration of individuals.</li> <li>-Scope to improve the skills levels and increase the size and depth of the labour pool.</li> <li>-Opportunity to build on existing networks and expand the capacity of public administration and services in the region, to ensure they are equipped to play their role, and better able to meet the needs of their users, individuals, businesses and communities.</li> </ul>	<p>ratio) and increased pressure on many public services (although a better understanding of migration patterns is required as this may counter the natural ageing of the population).</p> <ul style="list-style-type: none"> <li>-Falling population in the upper valleys as individuals migrate to other parts of Wales and England.</li> <li>-Higher risk of entering poverty for lone parents and workless households with dependent children.</li> </ul>
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## Chapter 3: The Strategy

### Introduction

3.1 This chapter sets out the overall strategy for the West Wales and the Valleys' ESF Convergence programme. It considers the key challenges facing the region and reviews the progress made in addressing these, including with the support of the current Objective 1 programme. The strategy sets out the objectives and priorities for the new ESF Convergence programme, explaining its contribution to the continuing revival of the West Wales and the Valleys economy and stimulation of growth potential. It has been developed in the context of both the European Commission's *Integrated Guidelines for Growth and Jobs*<sup>88</sup> and the *Community Strategic Guidelines for Cohesion 2007–2013*<sup>89</sup>.

3.2 The strategy explains how the programmes will contribute to the UK's overall response to the Lisbon agenda for jobs and growth, as set out in the *National Reform Programme*<sup>90</sup> and the *National Strategic Reference Framework (NSRF)*<sup>91</sup>. It also explains how EU funds will be concentrated to maximise the potential for growth and jobs, and to add value to the Welsh Assembly Government's strategies for increasing employment and improving skills. Finally, the strategy sets out the main principles that will guide the implementation of the new programmes, including the key role to be played by partners at national, regional and local levels. The development of the programmes will be taken forward reflecting the key principles of EU Cohesion policy, including partnership, transparency, co-financing, evaluation, proportionality, sustainable regional development, equal opportunities and added value.

### Current EU Structural Funds 2000 – 2006

3.3 West Wales and the Valleys is benefiting from support of over £1.3bn (€1.8bn) from the European Structural Funds programmes under the Objective 1 programme 2000–2006. Coupled with match funding from the public, private and voluntary sectors, just over 1,700 projects are receiving investment totalling more than £3.1 billion, of which £0.88 billion is supporting 652 ESF projects, making a real difference to the futures of businesses, communities and individuals across the region. The Mid-term Evaluation Update (MTEU) of the Objective 1 programme 2000–2006<sup>92</sup> estimates that up to 84,800 unemployed or economically inactive people will have moved into employment or further learning by the end of the programme period. Furthermore, up to 40,500 net new jobs and 1,895 net new SMEs will have been created. Structural Funds have played a significant role in

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<sup>88</sup> Integrated Guidelines for Growth and Jobs (2005–2008)

[http://ec.europa.eu/growthandjobs/pdf/COM2005\\_141\\_en.pdf](http://ec.europa.eu/growthandjobs/pdf/COM2005_141_en.pdf)

<sup>89</sup> Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007–2013

[http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/osc/1180706\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2007/osc/1180706_en.pdf)

<sup>90</sup> Lisbon Strategy for Jobs and Growth: UK National Reform Programme, updated October 2006

<http://www.dti.gov.uk/files/file34761.pdf>

<sup>91</sup> UK National Strategic Reference Framework: 2007–2013 <http://www.dti.gov.uk/files/file34769.doc>

<sup>92</sup> Mid-term Evaluation Update for Objective 1 Programme 2000–2006, Final Report, December 2005 by Old Bell 3 for the Welsh Assembly Government:

<http://www.wefo.wales.gov.uk/resource/2005-12-23-O1-MTEU-Final-Report6586.pdf>

developing the West Wales and the Valleys economy, contributing significantly to the aim of achieving strong and sustainable economic growth in line with the Lisbon and Gothenburg reform agendas.

3.4 The new ESF Convergence programme builds on this success and learns from the experience of the Structural Fund programmes 2000–2006, both in terms of its strategic focus and the arrangements for implementation. The next phase of the transformation of the West Wales and the Valleys economy will take forward existing interventions with a proven track record of success, while encouraging new and innovative approaches. It will not simply be more of the same, but more of the best, with a strong focus on increasing employment and improving skills. The available funding will be devoted to building lasting economies and communities that will thrive and drive strong and sustainable economic growth. Investments will be made on the basis of future potential and this theme of long-term economic capacity building – essential for jobs and growth – will be the cornerstone of resource allocation.

### **Key strategic challenges**

3.5 Chapter 2, the Analysis, showed that the West Wales and the Valleys economy has improved considerably in recent years, continuing its transformation from a long period of economic decline that saw the disappearance of much traditional industry. However, there is still much to be done to reduce economic disparities with the rest of Wales and the UK, to achieve full convergence with other parts of the EU, and to realise our ambition to be at the leading edge of economic development.

3.6 The headline economic position (traditionally measured through GVA per head of population) of West Wales and the Valleys lags behind that of Wales and the UK and stands at 77% of the EU25 average. Two main factors help explain the economic under-performance of West Wales and the Valleys compared to the rest of the UK: a lower employment rate and lower value-added per worker (output per job).

3.7 Despite considerable improvements in labour market conditions and growth in earnings across West Wales and the Valleys, the employment rate across the region is still below the Welsh and UK averages. The majority of this difference is explained by higher economic inactivity, rather than higher unemployment. Rates of economic inactivity are higher amongst certain disadvantaged groups, including people with disabilities, work-limiting health conditions, older workers, lone parents and ethnic minorities. Economic inactivity rates are also higher amongst certain communities across the region, in particular the valleys of South Wales.

3.8 The consensus in the economic literature is that falling demand for unskilled workers lies at the heart of high economic inactivity. Improving the skills of the working age population together with removing barriers to participation (poor health, access to services such as transport) are of paramount importance to improving their employment prospects. In addition, ensuring young people leave school equipped with the skills to ensure a successful transition into work is vital for supporting the future growth and productivity agenda for the region. Ensuring

more young people are able to access higher level skills will help ensure a workforce skilled and adaptable enough to meet the challenges of a modern knowledge economy. Beyond this, raising levels of employment addresses the wider social consequences of worklessness and poverty which impact on health and social inclusion.

3.9 Lower value-added per worker across West Wales and the Valleys is partially explained by the sub-region's industrial composition rather than Welsh workers being less productive than UK and EU counterparts. A further factor relates to the lower skills levels across the region, with higher levels of workers with low basic skills and identified skills gaps and skill shortages at intermediate level. In addition, further restrictions arise from Welsh towns and cities being relatively small, and much of Wales being sparsely populated and distant from major centres (reflecting an inability to benefit from strong agglomeration effects).

3.10 Encouragingly, however, the economy in West Wales and the Valleys has shown clear signs of improvement over recent years supported, in part, by the Structural Funds. This success is most apparent in the labour market, but has also been evident in developing private sector businesses and improving the infrastructure of the region. These improvements show that the economic and social problems of West Wales and Valleys are not intractable, and progress can, and has been, made.

3.11 Delivering effective public services will be a key factor if West Wales and the Valleys is to continue this economic growth and respond the competitive pressures of the global economy. Services in education and training, health, transport housing, regeneration and economic development are all crucial and are central to the Welsh Assembly Government's mainstream policies and programmes. Current performance is patchy and the nature of demand is changing. Businesses and communities need services which are more readily acceptable and more readily support economic regeneration. Services need to be more easily accessed, flexible, responsive the diverse needs, integrated with each other and more efficient. This means transforming the way services are led, planned and delivered by investing in capacity of the public services, to ensure leadership, skills and performance systems are capable of responding to 21<sup>st</sup> century needs.

### **Aim and Objectives for the ESF Convergence Programme**

3.12 The following objectives have been arrived at by an examination of the key challenges facing West Wales and the Valleys in the context of achieving sustainable economic growth. The SWOT analysis summarises the main challenges and opportunities for the region over the next seven year period and the programme priority axes have been developed to add value to existing policies for addressing these issues. The separate ESF and ERDF programmes should be viewed collectively as a means of achieving the vision for West Wales and the Valleys as a vibrant entrepreneurial region at the cutting edge of sustainable growth.

3.13 The overall aim of the ESF Convergence programme for West Wales and the Valleys is:

**To create a high skill, knowledge driven economy, with full employment, a skilled, adaptable workforce and responsive businesses, at the cutting edge of sustainable development.**

3.14 The objectives of the ESF programme are :

- supplying young people with skills for learning and future employment;
- increasing employment and tackling economic inactivity;
- improving skills levels and the adaptability of the workforce; and
- modernising and improving the quality of our public services (Making the Connections).

3.15 The objectives of the complementary ERDF programme are to:

- promote a high value-added economy by improving knowledge and innovation for growth by fostering Research and Development, innovation and technology and its commercial exploitation and increasing access to and take up of ICT;
- strengthen the economy by increasing the size and widening the range of the business stock and tackling market failures in relation to business advice, information and finance;
- equip the region with the physical infrastructure necessary for the development of a modern and competitive economy;
- create an attractive business environment; and
- build sustainable communities.

3.16 These objectives will support the delivery of the Lisbon objectives of improving economic growth and providing additional jobs for the people of West Wales and the Valleys, with complementary relationships between economic, social and environmental policies.

## **Policy Response**

3.17 The Structural Funds Regulations anticipate a more strategic approach to programming in the 2007 – 2013 period, with a strengthening of the focus of EU cohesion policy on the Lisbon and Gothenburg agendas for growth, jobs and sustainable development<sup>93</sup>. Member States have approved a set of “*Community Strategic Guidelines for Cohesion*”<sup>94</sup> (CSGs), which provides a framework for helping to deliver the Lisbon objectives as defined in the Integrated Guidelines for Growth and Jobs. Not all elements of this framework are relevant to all regions of the EU and each region must select the most appropriate combination of

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<sup>93</sup> Common Actions for Growth and Employment: The Community Lisbon programme, 20 July 2005 ([www.europa.eu.int](http://www.europa.eu.int))

<sup>94</sup> Community Strategic Guidelines on Economic, Social and Territorial Cohesion 2007-2013, Council of the European Union, 18 August 2006  
[http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/osc/1180706\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2007/osc/1180706_en.pdf)

investments to deliver the growth and jobs agenda, taking account of its particular strengths and weaknesses.

3.18 The CSGs establish that future Structural Fund programmes should address three main priorities:

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

3.19 All three CSG objectives are relevant in shaping the Convergence strategy for West Wales and the Valleys, where there is a need to focus investments on actions required to promote long-term competitiveness, job creation and sustainable development. The third is particularly relevant to this programme.

3.20 The objectives and priorities of the West Wales & the Valleys Convergence programmes are consistent with the Lisbon agenda and will contribute directly to the overall *UK National Reform Programme (NRP)*, which in turn responds to the Integrated Guidelines for Growth and Jobs. This response includes policies and actions under the ESF Convergence Programme to address the challenges of widening opportunities for the acquisition of skills and supporting the adaptability of workers and enterprises, improving employment prospects for the most disadvantaged, and through the ERDF Programme building an enterprising and flexible business sector, and promoting innovation and R&D.

**Figure 21. Links between Operational Programmes, CSGs and Integrated Guidelines**

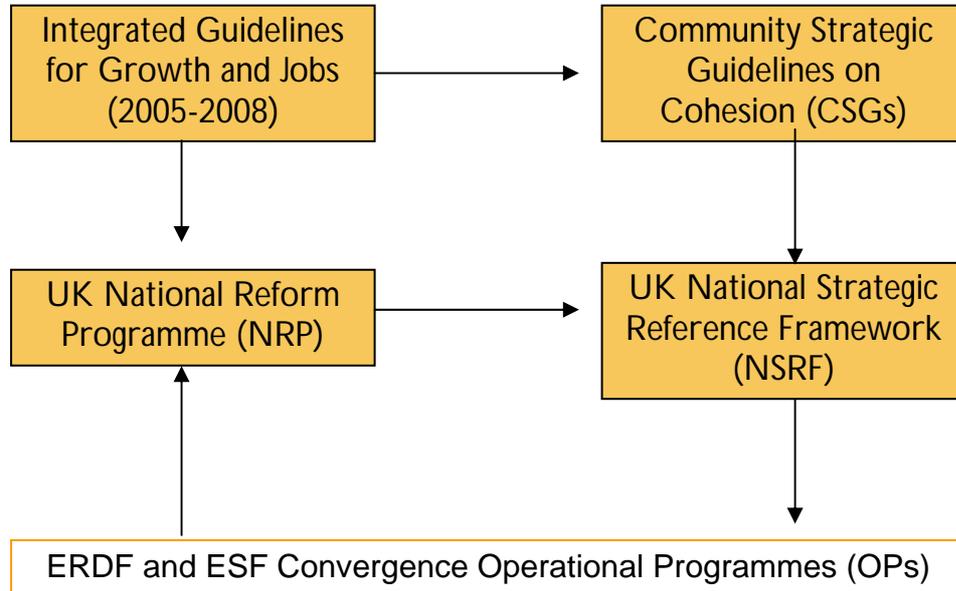
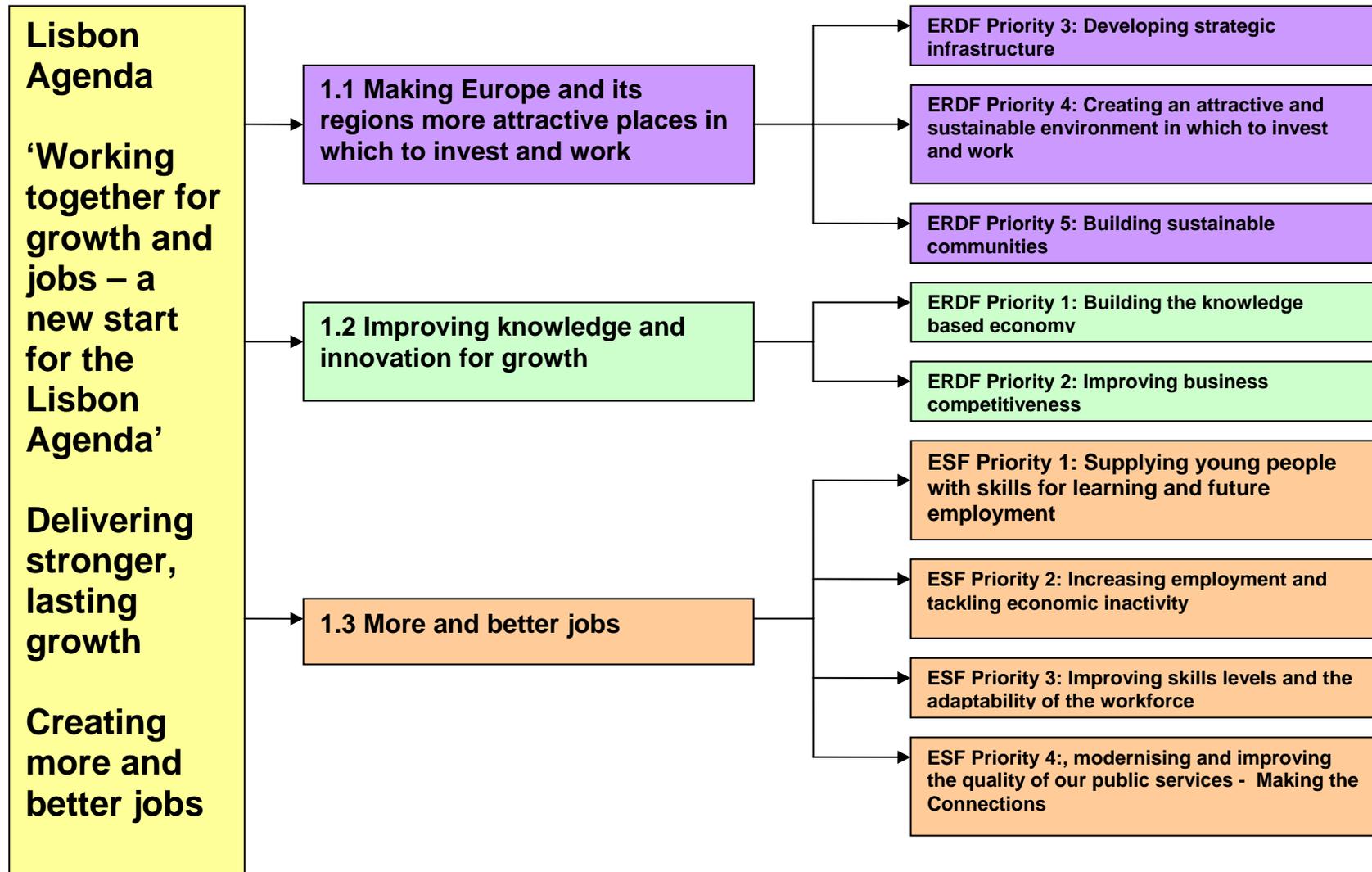


Figure 22. Links between CSG objectives and ESF and ERDF Convergence Priorities



3.21 The contribution which the Structural Funds will make to this programme of reform is set out in the UK *National Strategic Reference Framework (NSRF)*. The NSRF provides a policy framework to inform the preparation of Operational Programmes (OPs) at national and regional levels. It includes an analysis of the UK's economic strengths and weaknesses and specifies the strategy chosen for the Convergence and Regional Competitiveness & Employment programmes in each part of the UK. The UK NSRF includes a separate chapter setting out the strategy for regional economic growth in Wales and the Structural Fund priorities for both the Convergence and Regional Competitiveness & Employment programmes. The West Wales & the Valleys ESF Convergence Operational Programme is closely aligned with this policy framework.

3.22 The programme is designed to deliver our vision for creating a vibrant entrepreneurial region at the cutting edge of sustainable development with prosperous communities across Wales. The key drivers to achieving this through the ESF programme are:

- Developing the skills needed by young people, particularly those who are disadvantaged, to access learning and training opportunities;
- Increasing employment, in particular by tackling economic inactivity;
- Improving skills levels of workers and the adaptability of businesses, to help them move continually up the value chain and increase the value-added per job, thereby raising productivity and earnings;
- Support for targeted investments in public services to improve customer focus, accessibility, relevance and efficiency.

3.23 The strategic framework for supporting economic development has been developed in the context of *Wales: A Better Country*<sup>95</sup>, the Welsh Assembly Government's broad strategic policy agenda. In particular, actions to promote economic development must occur alongside other elements of this strategic agenda – namely improving quality of life for everyone by advancing social justice, improving the environment, health and education, in line with the *Wales Sustainable Development Scheme – Starting to Live Differently*<sup>96</sup>.

3.24 The economic development strategy is set out in *Wales: A Vibrant Economy*<sup>97</sup> (*W:AVE*), produced in 2006, to set the strategic framework for the European Structural Funds programmes 2007–2013. Its vision is of a vibrant economy capable of delivering strong and sustainable growth by providing opportunities for all. The aims of *W:AVE* taking forward the Lisbon agenda are:

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<sup>95</sup> Welsh Assembly Government's *Wales: A Better Country*.  
[http://new.wales.gov.uk/docrepos/40382/40382313/40382/403821211/walesabettercountry\\_-\\_e.pdf?lang=en](http://new.wales.gov.uk/docrepos/40382/40382313/40382/403821211/walesabettercountry_-_e.pdf?lang=en)

<sup>96</sup> Welsh Assembly Government's *Wales Sustainable Development Scheme*:  
<http://new.wales.gov.uk/about/strategy/strategypubs/sustainscheme;jsessionid=FD3733C3E0866069FF7F44E3AE8B7870.www2?lang=en>

<sup>97</sup> Welsh Assembly Government's *Wales: A Vibrant Economy*.  
<http://new.wales.gov.uk/docrepos/40382/4038231141/4038211251/403821125/4038211251/wave?lang=en>

- increasing employment by supporting job creation and stimulate growth across Wales;
- investing in the regeneration of deprived communities and stimulate economic growth across Wales;
- helping businesses to grow and increase value-added per job, output and earnings by:
  - investing in transport, ICT networks and other economic infrastructure;
  - attracting more high value-added functions to Wales and supporting businesses and sectors with strong growth potential;
  - improving the skills base and delivering more demand-led training tailored to the needs of businesses;
  - helping businesses to become more competitive by supporting the drivers to business growth: entrepreneurship, innovation, investment and trade; and
- ensuring that all economic programmes and policies support sustainable development, in particular by encouraging clean energy generation and resource efficiency.

3.25 *W:AVE* features an approach which works through key sectors. These have been identified through a number of routes. It identifies ten sectors as important for future economic growth, these include automotive, aerospace, agri-food, high technology, pharmaceuticals/ bio chemicals, financial services, creative industries, construction, hospitality, leisure and tourism, and social care. Action undertaken through the ESF programme will complement the activity of the ERDF programme, which will be targeted initially on supporting businesses and employees within these key sectors. This initial set will be reviewed at a later date following a more detailed sectoral and structural analysis of the change within the Welsh economy.

3.26 Alongside this, the Welsh Assembly Government strategies *Extending Entitlement and 14-19 Learning Pathways*<sup>98</sup> specifically tackle the high proportion of 16-18 year olds with no qualifications and who are not in employment, education or training (NEET), and *Reaching Higher*<sup>99</sup>, the Welsh Assembly Government's strategy which promotes and extends access to higher education.

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<sup>98</sup> Welsh Assembly Government's *Extending Entitlement and 14-19 Learning Pathways*: [http://new.wales.gov.uk/topics/educationandskills/policy\\_strategy\\_and\\_planning/extending\\_entitlement/?lang=en](http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/extending_entitlement/?lang=en) and

[http://new.wales.gov.uk/topics/educationandskills/policy\\_strategy\\_and\\_planning/learning\\_pathways/?lang=en](http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/learning_pathways/?lang=en)

<sup>99</sup> Welsh Assembly Government's *Reaching Higher education strategy*,: <http://new.wales.gov.uk/docrepos/40382/4038232/4038211/40382121/reachinghigher-e.pdf?lang=en>

3.27 The strategy is also supported by and complemented UK level employment policies delivered in West Wales and the Valleys region by the Department for Work and Pensions. Proposals in *A New Deal for Welfare: Empowering people to work*<sup>100</sup> focuses more support on tackling economic inactivity and raising employment amongst those traditionally considered to be at a greater distance from engagement with the labour market.

3.28 *The Learning Country 2: Vision into Action*<sup>101</sup> builds upon the original 10 year strategy published by the Welsh Assembly Government in 2001, which aims to transform education and training in Wales to create a place where high quality lifelong learning liberates talent, extends opportunities, empowers communities, provides better jobs and skills to enable people to prosper in the new economy and creates a sustainable future for Wales. The *Learning Country 2* re-affirms and updates this vision. It contains a number of key objectives and targets which will contribute to the Lisbon agenda of delivering stronger, lasting economic growth and creating more, and better jobs. These objectives are to:

- Promote inclusion in education and learning;
- Provide engaging, stimulating and flexible learning programmes and pathways;
- Equip young people to be able to respond to changing employment markets;
- Extend and enhance the capabilities of our learning workforce;
- Develop the skills and knowledge of our learning workforce;
- Improve skills and add value to the Welsh economy;
- Improve knowledge exploitation and maximise the contribution of HE to the development of a knowledge economy;
- Promote equality of opportunity for all learners.

3.29 There are also a number of key targets which have been set to assess and benchmark progress towards the strategic vision of the *Learning Country 2*. These include:

- The percentage of 15 year olds achieving the equivalent of GCSE grade A\* - C to reach 60 % by 2010 (2007 milestone 53%)
- By 2010 no pupil to leave full-time education without an approved qualification;
- The percentage of 16 – 18 year olds in employment, education or training to reach 93% by 2010;
- 95 % of young people by the age of 25 to be ready for high skilled employment and / or further or higher education by 2010;
- By 2010 the completion rates for Modern Apprenticeships to increase to 40%;

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<sup>100</sup> Dept of Work & Pensions Consultation Report, June 2006 *A New Deal for Welfare - Empowering People into Work*, [http://www.dwp.gov.uk/welfarereform/docs/welfare\\_reform\\_response.pdf](http://www.dwp.gov.uk/welfarereform/docs/welfare_reform_response.pdf)

<sup>101</sup> Welsh Assembly Government strategy *The Learning Country 2: Vision into Action*, 2006, <http://new.wales.gov.uk/docrepos/40382/4038232/403829/News/2006/learning-country-via-e.pdf?lang=en>

- The percentage of working age adults with level 1 or above basic skills in literacy to be 80% and level 1 or above basic skills in numeracy to be 55% by 2010;
- The percentage of adults of working age with a qualification equivalent to level 2 or above to be 70%, with level 3 or above to be 50% and with level 4 or above to be 30% by 2010.

3.30 The *Learning Country 2: Vision into Action* is complemented and supported by the *Skills and Employment Action Plan 2005 (SEAP 2005)*<sup>102</sup>, which takes forward Wales' lifelong learning agenda and demonstrates Wales' commitment to achieving the objectives of the *European Employment Strategy*<sup>103</sup>. *SEAP 2005* supports the Welsh Assembly Government's work with its partners in the public, private and voluntary sectors to make real progress in taking forward action to tackle the skills and employment challenges facing Wales. The vision is for a Wales where everyone has the skills, motivation and opportunity to obtain good quality jobs that meet their aspirations and abilities, and where employers work with their employees and public sector agencies to raise the skills to the highest possible levels to support high quality jobs in a growing economy. The key objectives of the plan are:

- To improve the mechanisms for workforce development;
- Supply new entrants to the labour market with the skills needed for employment;
- Work with employers and employees to improve skills; and
- Help more people into sustained employment.

3.31 The aspiration is to lift the number of people in the workforce with the higher skills needed for economic growth and prosperity, whilst at the same time pressing for more employment opportunities at higher levels. Level 3 has been identified as the minimum level Wales needs to aspire to achieve, if it is to lift its economic performance to match the ambitions of *W:AVE*. However, West Wales and the Valleys, and Wales generally, has a large basic skills deficit and this needs to be tackled as a priority. Work is required to tackle step by step, improvements in basic literacy and numeracy, then increase the supply of people with intermediate and higher level and graduate skills needed in employment sectors, whilst at the same time aiming to raise the demand for higher level skills across the board.

3.32 *SEAP 2005* also supports the UK Government's agenda to help more people of working age into sustainable employment by addressing the range of barriers to participation in work. Action through this programme will add to the work envisaged and planned through *SEAP 2005* and contribute to the UK Government's long-term goal of increasing employment opportunities for all and meeting its challenging target of an 80% per cent employment rate.

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<sup>102</sup> Welsh Assembly Government's *Skills and Employment Action Plan 2005*:  
<http://www.learning.wales.gov.uk/pdfs/c5104-seap-report-e.pdf> - search='Skills and Employment Action Plan 2005 Welsh Assembly government'

<sup>103</sup> European Employment Strategy:  
[http://ec.europa.eu/comm/employment\\_social/employment\\_strategy/index\\_en.htm](http://ec.europa.eu/comm/employment_social/employment_strategy/index_en.htm)

3.33 At the UK level a major review of the UK's skills levels and future needs was published in December 2006 by Lord Sandy Leitch. His report on UK skills, "*Prosperity for all in the global economy – World class skills*<sup>104</sup>", contains a number of recommendations on how the vision of developing the UK as a world leader on skills by 2020, can be progressed. This followed the publication in 2003 and 2005 respectively of the UK central government's White papers, *Skills: Getting on in business, getting on at work*<sup>105</sup>, and *21<sup>st</sup> Century Skills: realising our potential*<sup>106</sup>. UK central government has welcomed the Leitch review, and accepted the proposal for a new UK wide Commission for Employment and Skills. It has been agreed that Wales will have a representative on this body. The formal UK Government response will be published in Summer 2007, following the Comprehensive Spending Review.

3.34 Since devolution the Welsh Assembly Government has developed its own Wales' tailored strategies for skills and education which are outlined above. Many of the issues raised by Lord Leitch are already recognised, and are being addressed within Wales. The Welsh Assembly Government has therefore welcomed the report and the inclusion of Welsh initiatives cited within the report e.g. all age careers advice services that link advice to actual employment opportunities. Much of the activity recommended by Lord Leitch is being progressed using *SEAP 2005*. The particular area where Wales will need to co-ordinate activity will be with the Sector Skills Councils which have a UK wide remit to ensure a distinctly Welsh approach to the issues raised by Lord Leitch.

3.35 There are a couple of key UK level policies for employment, such as *Empowering People to Work*, which are delivered in Wales by Jobcentre Plus, the government agency supporting people of working age from welfare into work, and helping employers to fill vacancies. It is part of the Department for Work and Pensions (DWP). Its key objectives are to:

- Increase the effective supply of labour by promoting work as the best form of welfare and helping unemployed and economically inactive people move into employment;
- Work towards parity of outcomes for ethnic minority customers;
- Provide high-quality and demand-led services to employers, which help fill job vacancies quickly and effectively with well-prepared and motivated employees;
- Help people facing the greatest barriers to employment to compete effectively in the labour market and move into and remain in work;
- Improve continuously the quality, accessibility and delivery of services to all customers; and
- Ensure that people receiving working age benefits fulfil their responsibilities while providing appropriate help and support for those without work.

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<sup>104</sup> The Leitch Review of Skills index page at HM Treasury website, [http://www.hm-treasury.gov.uk/independent\\_reviews/leitch\\_review/review\\_leitch\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/leitch_review/review_leitch_index.cfm)

<sup>105</sup> Dept for Education and Skills: "Skills, Getting on in business, getting on in work" White Paper 2005, <http://www.dfes.gov.uk/skillsstrategy/index.cfm?fuseaction=content.view&CategoryID=6>

<sup>106</sup> DfES, 2003 White Paper – 21<sup>st</sup> Century Skills – Realising our Potential, <http://www.dfes.gov.uk/skillsstrategy/uploads/documents/21st%20Century%20Skills.pdf>

3.36 It delivers a number of mandatory and voluntary programmes for individuals under the overarching Welfare to Work banner, such as the *New Deal* suite of programmes – *New Deal for Young People; for Disabled; for Lone Parents; for partners of the unemployed*. It also works with the Welsh Assembly Government on a number of initiatives, notably the *Want2Work* project under the current Objective 1 programme, and is responsible for delivering support, where requested, to employers whose workers are under threat of, or under notice of redundancy.

3.37 The *Wales Spatial Plan*<sup>107</sup> provides the overall framework for future collaborative action between the Welsh Assembly Government and its partners to achieve sustainable economic growth and development in all parts of Wales. It sets a 20-year horizon for development and for integrating the investment necessary for the sustainable development of communities throughout Wales. Economic development policies will take account of location differences and priorities, and this requires co-ordinated action at national, regional and local levels, such as the recent development of the Heads of the Valleys regeneration framework. It also recognises the importance of cross-border and inter-regional connections.

3.38 Within this there is recognition that ‘one size’ solutions do not fit all parts of Wales and different approaches are taken for the individual *Spatial Plan* areas:

- **North West:** The vision for this area is of a high quality natural and physical environment supporting a cultural and knowledge-based economy, that will help the area to maintain its distinctive character, retain and attract back young people, and sustain the Welsh language.

The legacy of economic change and social deprivation means the North West Wales area will face a big challenge to equip all of its people with the skills they will need to be part of a successful high-productivity economy. Despite recent improvements, economic inactivity rates remain high in pockets throughout the region, especially in more remote communities.

- **North East:** The vision for this area is of harnessing the economic drivers on both sides of the border, reducing inequalities, and improving the quality of its natural and physical assets.

In realising this vision a key issue for Denbighshire and Conwy is linking areas of opportunity (the prosperous areas of Deeside and North West England) with areas of need. Areas of need are characterised by a complex set of issues in relation to skills, educational, social deprivation, health and economic inactivity, especially the coastal towns of Conwy and Denbighshire. Communities here are unable to access quality employment against

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<sup>107</sup> Welsh Assembly Government's *Wales Spatial Plan*:  
<http://new.wales.gov.uk/about/strategy/spatial/sppublications/walesspatial?lang=en>

a backdrop of labour market shortages prevalent within the area as a whole.

- **Central Wales:** The vision for this area is of offering high quality living and working in smaller-scale settlements set within a superb environment, providing dynamic models of rural sustainable development, and moving all sectors to higher value-added activities.

The western counties of Central Wales have the highest levels of educational attainment in Wales. However, the challenge in realising the Spatial Vision is to reconcile this with greater opportunities for young people to stay in the area, by providing the skills required for higher quality employment.

- **South East:** The vision for the South East area is for an innovative skilled area offering a high quality of life – international yet distinctively Welsh. It will compete internationally by increasing its global visibility through stronger links between the Valleys and the coast, and with the UK and the rest of Europe, helping to spread prosperity within the area and benefiting other parts of Wales.

The Heads of the Valleys have the highest concentration of social deprivation and economic inactivity in Wales, allied to low levels of educational attainment and skills, poor health and a declining population. This has had a major impact on the ability of the area to attract high quality jobs and for communities to access jobs in other more prosperous parts of the South East region. It is essential therefore, in the Convergence qualifying parts of this region, to focus intervention on providing a labour force with the right skills for a modern economy, and to work with deprived communities to remove economic and social barriers to accessing employment.

- **Swansea Bay:** The vision for this area is of planned sustainable growth and environmental improvement, realising its potential, supported by integrated transport within the area and externally, and spreading prosperity to support the revitalisation of West Wales.

A key issue in this area will be to ensure that employment-related services in the area are demand-led, client-centred and joined-up so that they work well for both the economically inactive / people seeking work, and employers (private, public and voluntary sector) seeking staff. Wherever possible, links will be made between such work to provide individuals with skills and support, with initiatives that generate employment. It will be important to ensure that the geographical pattern of provision caters for people in more remote communities, as well as those in the larger towns.

- **Pembrokeshire:** The vision for this area is of strong communities supported by a sustainable economy based on the area's unique environment, maritime access and tourism opportunities.

The area faces a big challenge, to equip all of its people with the skills they will need to be part of a successful high-productivity economy, and to raise economic activity rates which remain low in some of the deprived communities in the area generally, but in particular in pockets of urban deprivation around the Cleddau, Carmarthen and North Pembrokeshire hubs.

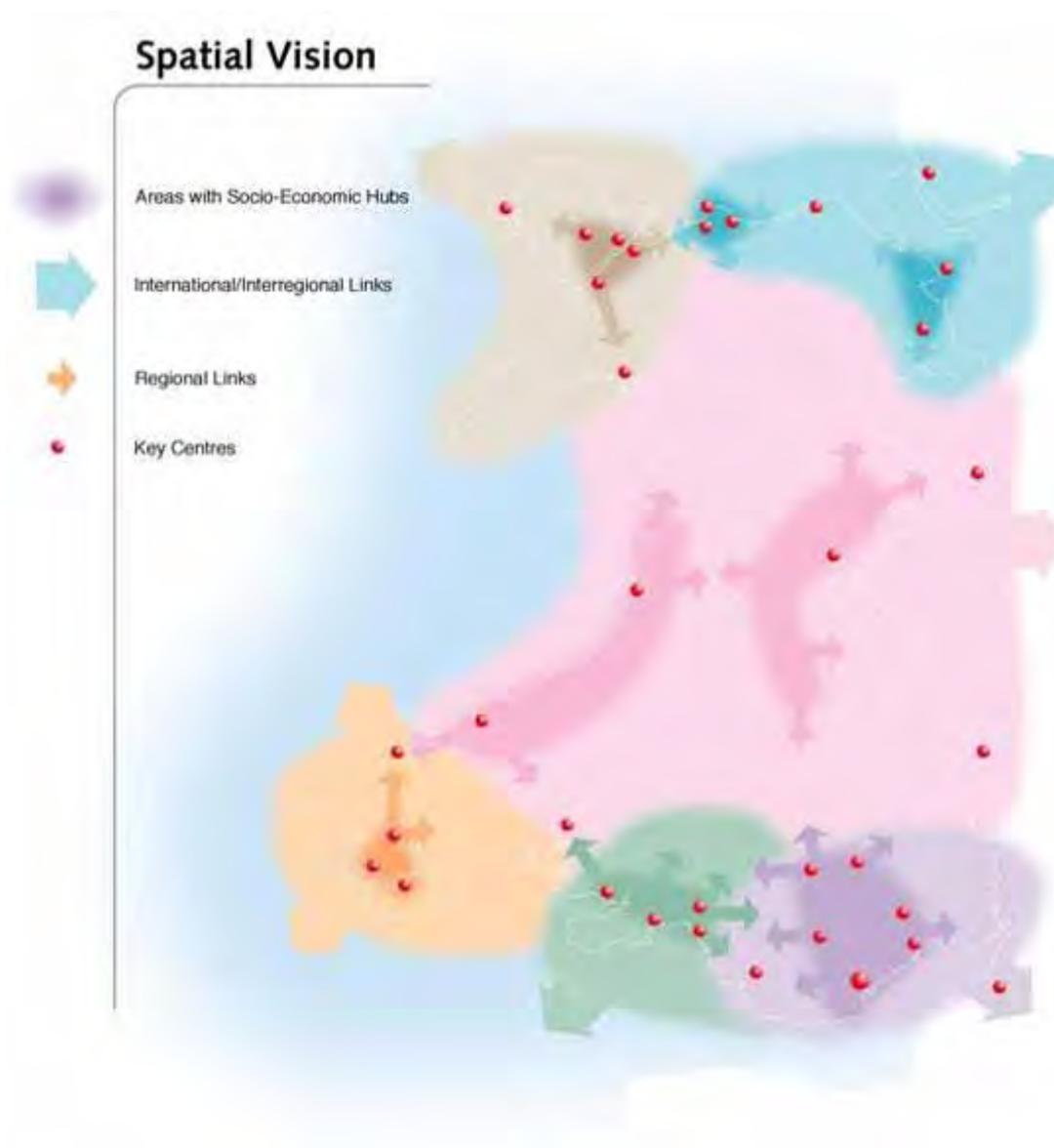


Figure 23. Wales Spatial Plan Areas

3.39 The new *Environment Strategy for Wales*<sup>108</sup> will provide opportunities for further development of the environment as a fast growing economic sector in its own right and will be used to ensure that the Structural Fund interventions are targeted so as to deliver economic and environmental progress in tandem and in line with the principles agreed at the Gothenburg Council.

3.40 The Welsh Assembly Government recognises that the public sector, as a large employer, makes an important contribution to economic development and the successful delivery of related policies and programmes. *Making the Connections*<sup>109</sup> sets out the vision of a prosperous, sustainable, bilingual, healthy and better-educated country that will guide the transformation of public services and deliver services of top quality in Wales. *Delivering the Connections*<sup>110</sup> provides an action plan for taking forward the improvements required in public services. The goal is to make services more accessible and open to genuine participation, more joined-up and coherent, more effective and efficient, and more responsive to the needs of individuals, businesses and communities.

3.41 The Welsh Assembly Government launched *A Science Policy for Wales* for consultation in November 2006. This policy provides a framework for promoting scientific and technical research, and the application of such research to business problems, products and services. The Science Policy will inform investments to boost science and R&D, and its commercialisation through the ERDF Convergence strategy. The ESF programme will seek to complement activity in pursuit of the ERDF programme's objectives.

3.42 In addition to the key policies outlined above, the Convergence programmes will be informed by a range of other thematic policies and strategies. These are highlighted in Chapter 4 in relation to the main programme Priorities. See the Wales Policy Map at Figure 24, and Key Strategies Map at Figure 25 below.

**Figure 24. Wales Policy Map**

See below

**Figure 25. Key Strategies Map**

See below

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<sup>108</sup> Welsh Assembly Government's *Environment Strategy for Wales*:  
[www.countryside.wales.gov.uk/environmentstrategy](http://www.countryside.wales.gov.uk/environmentstrategy)

<sup>109</sup> Welsh Assembly Government's *Making the Connections*:  
<http://new.wales.gov.uk/about/strategy/makingtheconnections/?lang=en>

<sup>110</sup> Welsh Assembly Government's *Delivering the Connections*:  
<http://new.wales.gov.uk/about/strategy/makingtheconnections/actionplan/?lang=en>

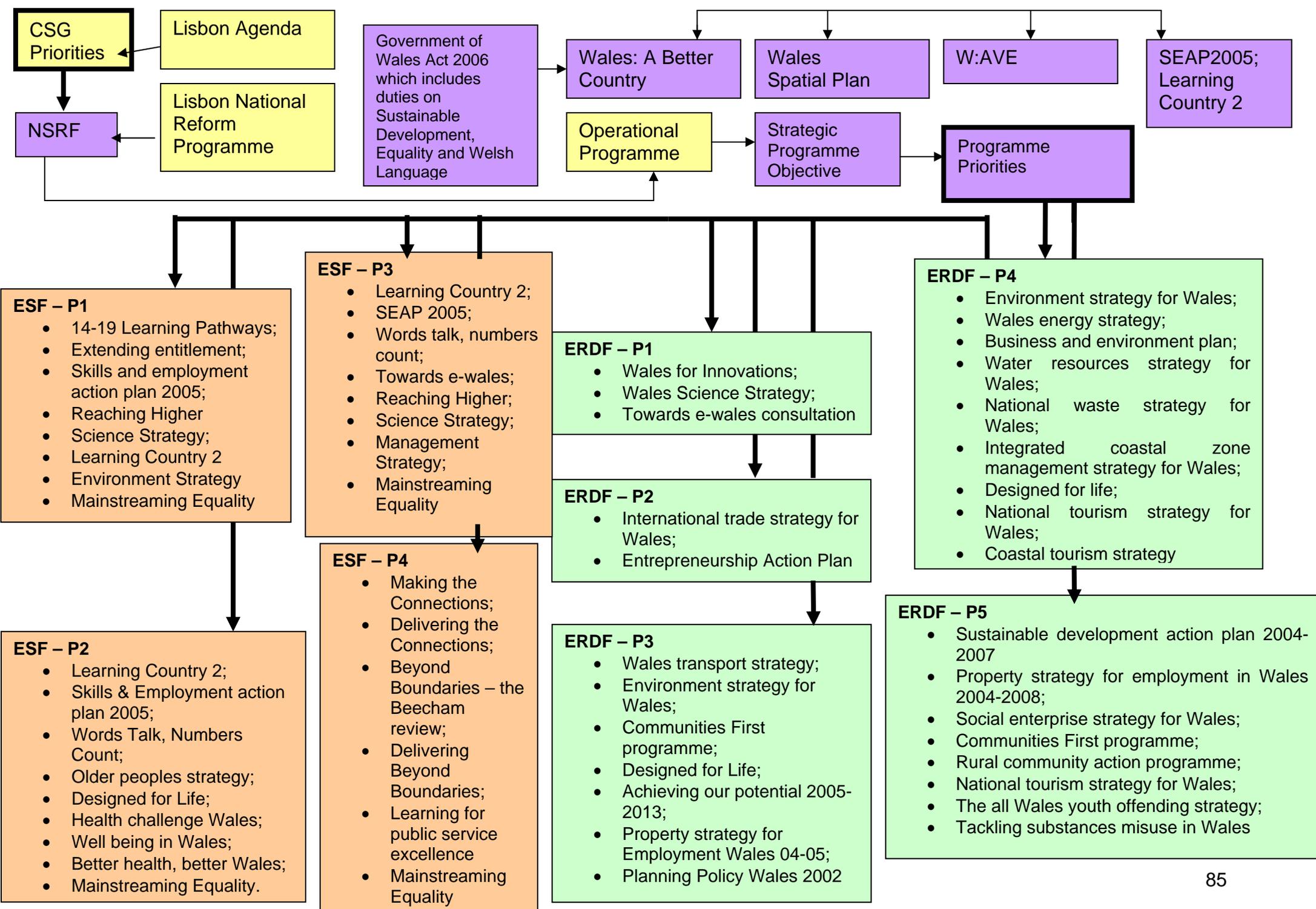
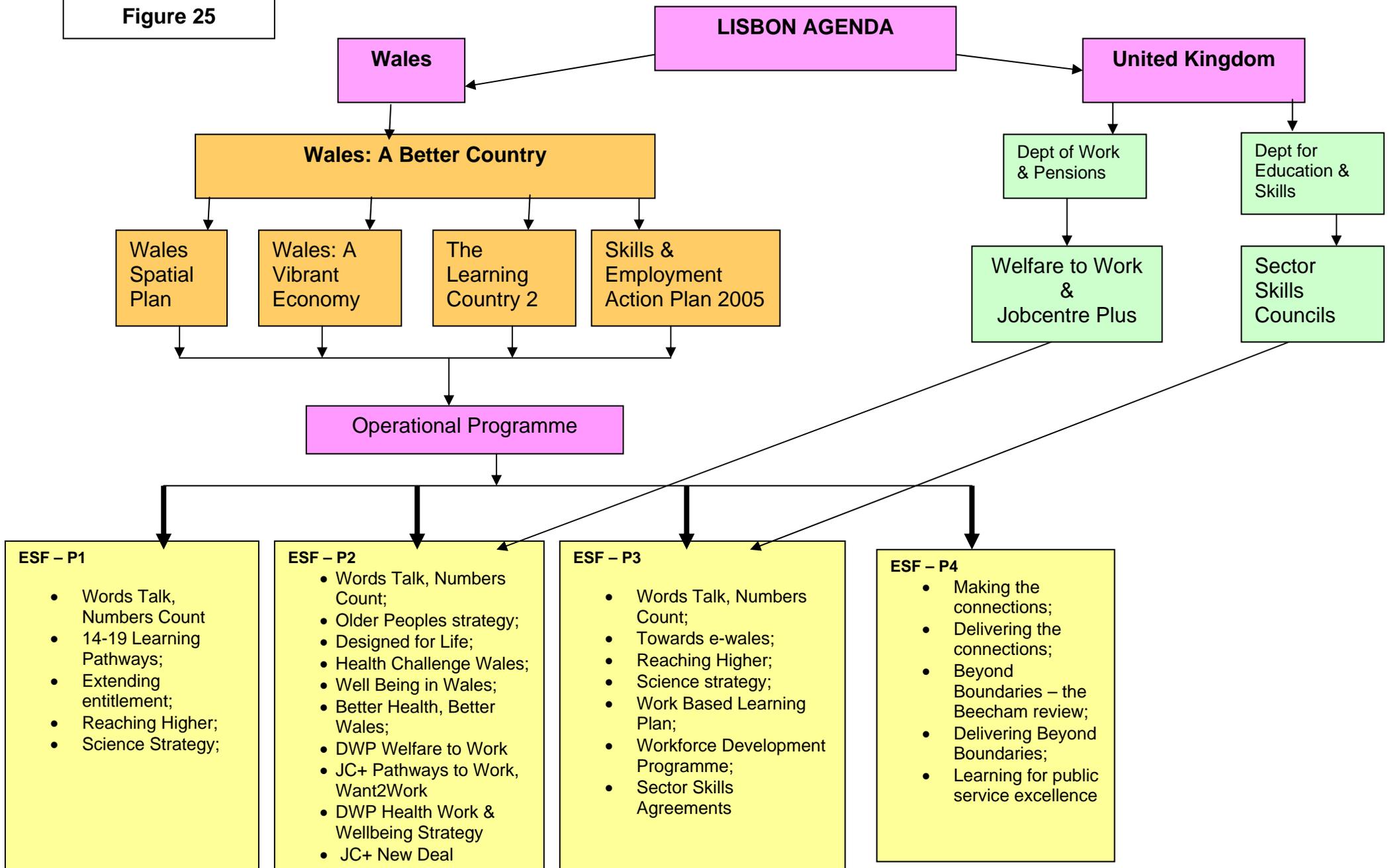


Figure 25



Cross Cutting : **Equal Opportunities:** Government of Wales Act and Mainstreaming Equality;  
**Environmental Sustainability:** Environment Strategy, Education Strategy for Sustainable Development & Global Citizenship, Sustainable Development Action Plan.

## Concentration of Resources

3.43 The *Community Strategic Guidelines for Cohesion* emphasise the importance of concentrating resources, both thematically and geographically. The aim is to focus on the investments that are required to increase long-term competitiveness, job creation and sustainable development. The Convergence programmes for West Wales and the Valleys will have a strong concentration on interventions that contribute to the Lisbon growth and jobs agenda. This means more investment in areas such as employment and skills through the ESF programme, and complemented through the ERDF Convergence programme, through investment in research and development (R&D), innovation, entrepreneurship, the information society, environmentally friendly products and processes, renewable energy and some areas of infrastructure, including transport.

3.44 This concentration will be achieved by:

- targeting 94% of Convergence (ESF) resources on categories of investment identified in EU General Regulation [1083/2006] Article 9(3) as supporting the objectives of *Integrated Guidelines for Growth and Jobs*. For both ERDF and ESF Programmes the total identified is 79% of total resources, compared with the minimum Lisbon target of 60%;
- ensuring that the ESF Convergence programme contributes to relevant priorities identified in the UK's *National Reform Programme*;
- focusing the programme priorities in line with the Welsh Assembly Government's key policies and strategies, including *The Learning Country 2: Vision into Action*, and the *Skills and Employment Action Plan 2005* which set the agenda for education and lifelong learning, and *Wales: A Vibrant Economy*. These strategies are closely aligned with the Lisbon and Gothenburg agenda;
- using the key sectors identified in *W:AVE* to focus resources on those with significant growth potential, particularly under ESF Priority 3, and to complement ERDF Priority 2.
- using the framework of the *Wales Spatial Plan* to target resources on areas of need and opportunity;
- implementing the programmes through Strategic Frameworks which will ensure project activity is focused on key programme objectives, and is effectively co-ordinated; and
- fostering synergies with other EU and national policies on the ground.

3.45 The detail of the financial allocations is contained in Chapter 7 but in summary spending will be focused as per the Welsh Assembly Government's intention to increase ESF funded people-related interventions from 35% to 40% of resources. This proposal received widespread support from partners across all sectors during the public consultation exercise. This also addresses the European Council's recommendation to the UK in March 2007 as part of its review of the UK's progress in implementing the *National Reform Programme* for growth and jobs, that the UK

increase basic and intermediate skills, to raise productivity, and further improve employment prospects for the most disadvantaged. In Priority 1 funding will focus on the needs of disadvantaged young people needing help to remain in learning and training. Under Priority 2 expenditure will focus on addressing the needs of the economically inactive in becoming ready for employment, and accessing employment opportunities through targeting individual barriers and needs. In Priority 3 support will focus on the basic, intermediate and higher skills needs of the workforce. A small proportion of funding will support Priority 4 which will seek to improve service delivery and efficiencies in the supply of public services across West Wales and the Valleys.

### **Framework of Priorities**

3.46 In line with the European Commission's agenda for simplification of Structural Funds programming and implementation, the new Convergence programme will be implemented through a simplified structure, separate ESF and ERDF Operational Programmes, with programming at priority level. For the ESF Programme there will be a framework of four main priorities identified below (plus a Technical Assistance priority). There will be no 'measure level' programming, although each priority will include a number of specific 'Themes' which will be used to ensure a balanced approach to implementation. The four priorities are:

#### *ESF Priority 1: Supplying Young People with Skills for Learning and Future Employment*

3.47 The objective of this priority is to prepare young people (aged 11 – 19 years) who are at particular risk of under-achieving or becoming NEET, for future employment by raising their aspirations, and increasing participation in learning or training. It will not fund mainstream education activity.

3.48 Success in achieving a skilled and internationally competitive workforce for the future, will depend in large part on ensuring that as many young people as possible are engaged in appropriate and relevant forms of education, learning or training. Ensuring that young people have the education and skills needed to ensure a successful future transition into work, is an essential requirement to support the economic growth and productivity agenda in West Wales and the Valleys. Themes under this priority will focus on:

- (a) Tackling Under-Achievement; and
- (b) Raising Skills and Aspirations

3.49 The following table illustrates how this priority will contribute to the EU and UK policy priorities. This priority will contribute to categories 66 and 73 of the categories of Structural Fund investment identified in EU Regulation [1083/2006], Article 9.

3.50 This priority will address the scope of assistance as identified in EU Regulation [1081/2006] Article 3, section 2a(ii).

**Table 21: Priority 1 contribution to EU and UK policy priorities**

	<b>Contribution of Priority to EU and UK Policy Priorities</b>
<b>Integrated Guidelines for Growth and Jobs</b>	GL19: To ensure inclusive labour markets for job seekers and disadvantaged people GL 20: to improve matching of labour market needs GL 24: To adapt education and training systems in response to new competence requirements
<b>Community Strategic Guidelines</b>	GL 1.3.1: Attract and retain more people in employment and modernise social protection systems GL1.3.3: Increase investment in human capital through better education and skills
<b>UK National Reform Programme</b>	Skills (3.77 – 3.90) Delivering employment opportunity for all (4.7 – 4.35) Equipping people to realise their potential (4.36 – 4.38)
<b>UK NSRF</b>	Increasing employment and tackling economic inactivity (266 – 268)

*ESF Priority 2: Increasing Employment and Tackling Economic Inactivity*

3.51 The objectives of this priority are to raise levels of employment and economic activity, and secure higher participation in the labour market.

3.52 The performance of the West Wales and the Valleys labour market has improved considerably over recent years, with increasing employment and declining unemployment. Despite this, the employment rate in the region is still lower than in many parts of the UK due to a higher proportion of the working age population not participating in the labour market. This priority will focus primarily on the economically inactive, with the aim of helping them into sustained employment, and help people with work-limiting health conditions and disabilities to remain in work where they may be at risk of becoming unemployed or economically inactive. Bringing more people into sustainable employment will be essential in propelling the West Wales and the Valleys economy to higher levels of GVA, and in reducing poverty, ill health and social exclusion. A range of active labour market measures and other actions will be necessary to help such individuals overcome barriers to employment and particular attention will be given to the specific barriers faced by a range of disadvantaged groups.

3.53 Themes under this priority will focus on:

- (a) helping people into sustainable employment; and

(b) helping people to remain in work.

3.54 The following table illustrates how this priority will contribute to the EU and UK policy priorities. This priority will contribute to categories 66, 67 and 71 of the categories of Structural Fund investment identified in EU Regulation [1083/2006], Article 9.

3.55 This priority will address the scope of assistance as identified in EU Regulation [1081/2006] Article 3, section 1b.

**Table 22: Priority 2 contribution to EU and UK policy priorities**

	<b>Contribution of Priority to EU and UK Policy Priorities</b>
<b>Integrated Guidelines for Growth and Jobs</b>	<p>GL17: To implement employment policies aimed at achieving full employment, improving quality and productivity at work and strengthening social and territorial cohesion</p> <p>GL18: To promote a lifecycle approach to work</p> <p>GL19: To ensure inclusive labour markets for job seekers and disadvantaged groups</p> <p>GL21: To promote flexibility combined with employment security and reduce labour market segmentation.</p> <p>GL23: To expand and improve investment in human capital</p>
<b>Community Strategic Guidelines</b>	<p>GL1.3.1: Attract and retain more people in employment</p> <p>GL1.3.3: Increase investment in human capital through better education and skills</p> <p>GL1.3.5: Help maintain a healthy labour force</p>
<b>UK National Reform Programme</b>	<p>Skills (3.77 – 3.90)</p> <p>Delivering employment opportunity for all (4.7-4.35)</p> <p>Equipping people to raise their potential (4.36–4.38)</p>
<b>UK NSRF</b>	<p>Increasing employment and tackling economic inactivity (266 - 268)</p>

*ESF Priority 3: Improving Skill Levels and the Adaptability of the Workforce*

3.56 To support productivity and progression in employment by raising skill levels at the levels of basic skills, intermediate and higher level skills, to tackle skills gaps and shortages, and to promote gender equality in employment. Raising the population's skills levels is associated with not only increased rates of economic activity, but also improvements to productivity and growth. This priority will focus on raising skill levels of employees and help employers and enterprises adapt to change and to raise productivity. The main focus of the priority will be to raise skill levels of those with

skill levels below Level 2, especially employees without basic numeracy, literacy and ICT skills, to bring them to Level 2 and above. Action under this priority will recognise that there are significant market failures in terms of demand deficiency and matching skills needs and training to areas of demand. Action is therefore required to identify skills shortages, gaps and mismatches, to support workers' progress in their careers, to develop higher-level specialist skills to meet the needs of business, and to help individuals adapt to new ways of working or to choose new pathways of employment, so they can prosper in a changing economy and society.

3.57 Current gender inequalities mean that the economic contribution of women is insufficiently utilised and this has a detrimental impact on the Welsh economy as a whole. A number of different approaches will be necessary to tackle the attitudinal and structural changes required to improve the current position of women within the workforce.

3.58 Themes under this priority will focus on:

- raising the skills base of the workforce and supporting progression in employment through basic, and intermediate level skills;
- skills for the knowledge economy: higher level skills and systems for workforce development; and
- promoting gender equality in employment.

3.59 The following table illustrates how this priority will contribute to the EU and UK policy priorities. This priority will contribute to categories 62, 64, 69, 70, 72 and 74 of the categories of Structural Fund investment identified in EU Regulation [1083/2006], Article 9.

3.60 This priority will address the scope of assistance as identified in EU Regulation [1081/2006] Article 3, section 1a.

**Table 23: Priority 3 contribution to EU and UK policy priorities**

	<b>Contribution of Priority to EU and UK Policy Priorities</b>
<b>Integrated Guidelines for Growth and Jobs</b>	GL17: Implement employment policies aimed at achieving full employment, improving quality and productivity at work and strengthening social and territorial cohesion GL20: Improve matching of labour market needs GL21: Promote flexibility combined with employment security and reduce labour market segmentation GL23: Expand and improve investment in human capital GL24: Adapt education and training systems in response to new competence requirements

	<b>Contribution of Priority to EU and UK Policy Priorities</b>
<b>Community Strategic Guidelines</b>	1.3.1 Attract and retain more people in employment and modernise social protection systems 1.3.2 Improve adaptability of workers and enterprises and the flexibility of the labour market 1.3.3 Increase investment in human capital through better education and skills
<b>UK National Reform Programme</b>	Skills (3.77 – 3.90) Delivering employment opportunity for all (4.7 – 4.35) Equipping people to realise their potential (4.36 – 4.38) Tackling gender inequality (4.43 - 4.51)
<b>UK NSRF</b>	Improving skills levels and improving the adaptability of the workforce (269 – 270)

*ESF Priority 4: Modernising and improving the quality of our public services: Making the Connections*

3.61 The objective of this priority is to improve the effectiveness and efficiency of public services in the region.

3.62 In *Making the Connections: Delivering Better Public Services in Wales*, the Welsh Assembly Government sets out its policy for improving the public service sector across Wales, including making it more accessible, coherent, effective and efficient, and more responsive to the needs of individuals, businesses and communities. The purpose of this priority is to build the capacity of public administration and services in the region, to ensure that they are properly equipped to play their role and better meet the needs of their users and the wider community, in overcoming the region's disadvantages and offering the level of service which is to be expected in the 21<sup>st</sup> Century.

3.63 Although this priority will only absorb a small proportion of the European funding available for West Wales and the Valleys, it will make an important contribution to developing the skills of public services managers, including the skills needed to lead and manage regeneration programmes. It will also support improvements in the efficiency and effectiveness of public service delivery, including through the development of shared services and electronic access to services by individuals and businesses.

3.64 Themes under this priority will focus on:

- transforming public services through more effective collaborative working; and
- building the capacity of public service sectors to deliver higher quality services.

3.65 The following table illustrates how this priority will contribute to the EU and UK policy priorities. This priority will contribute to category 81 of the categories of Structural Fund investment identified in EU Regulation [1083/2006], Article 9.

3.66 This priority will address the scope of assistance as identified in EU Regulation [1081/2006] Article 3, section 2b.

**Table 24: Priority 4 contribution to EU and UK policy priorities**

	<b>Contribution of Priority to EU and UK Policy Priorities</b>
<b>Integrated Guidelines for Growth and Jobs</b>	GL9: Facilitate the spread and effective use of ICT and build a fully inclusive information society.  GL24: Expand and improve investment in human capital
<b>Community Strategic Guidelines</b>	1.3.4: Administrative capacity
<b>UK National Reform Programme</b>	Skills (3.77–3.90)
<b>UK NSRF</b>	Making the Connections and modernising public services (271 - 272)

*ESF Priority 5: Technical Assistance*

3.67 A separate Technical Assistance (TA) priority will provide support for programme management and implementation, including communications and publicity, research and evaluation and targeted capacity building actions. This priority will contribute to categories 85 and 86 of the categories of Structural Fund investment identified in EU Regulation [1083/2006], Article 9.

**Employment Recommendations to the UK**

3.68 The ESF Convergence programme will contribute to action taken in West Wales & the Valleys to address the European Council's recommendation to the UK in March 2007 as part of its review of the UK's progress in implementing the National Reform Programme (NRP) for growth and jobs. It will also support action to address the four employment recommendations to the UK made by the European Council on 14 October 2004 as part of the 2004 European Employment Strategy (EES) process. The EES has now been brought within the scope of the Integrated Guidelines for Growth and Jobs and the associated Lisbon planning and reporting processes, but the employment recommendations remain extant and very relevant to the needs of the region.

*European Council Recommendation (March 2007) - Increase basic and intermediate skills, in order to raise productivity, and further improve employment prospects for the most disadvantaged.*

3.69 The NRP identifies the need to open up opportunities for sections of the population with low employment rates and to raise the skill levels in the workforce. Good progress is being made in addressing these challenges but, as indicated in the Leitch review, more needs to be done. Action under ESF Priority 3 – *Improving skills levels and the adaptability of the workforce* will have a particular focus on increasing basic and intermediate skills in the workforce and supporting progression in employment. This will be complemented by action under ESF Priority 1 – *Supplying young people with skills for learning and future employment* – which will provide more flexible learning pathways and address early school leaving, as well as encouraging more young people to continue in learning and to progress to higher qualification levels. ESF Priority 2 – *Increasing employment and tackling economic inactivity* – will support the integration of vulnerable groups into the labour market including incapacity benefit claimants, disabled people, lone parents some ethnic minority groups, older people and those from areas of high deprivation, and those under formal notice of redundancy.

*EES Recommendation 1 - Increase adaptability of worker and enterprises and ensure that wage developments do not exceed productivity developments.*

3.70 Action to improve skills under ESF Priority 3 – *Improving skill levels and the adaptability of the workforce* - will help to improve levels of productivity, and increase the ability of enterprises and workers to innovate and adapt to new forms of work organisation and new technologies. The ERDF Convergence Programme will also contribute to addressing this recommendation through priorities aimed at improving business competitiveness and developing the knowledge economy.

*EES Recommendation 2 - Ensure that active labour market policies and benefit systems prevent de-skilling and promote quality in work, by improving incentives to work and supporting the sustainable integration and progress in the labour market of inactive and unemployed people; address the rising number of people claiming sickness or disability benefits, and give particular attention to lone parents and people living in deprived areas.*

3.71 ESF Priority 2 – *Increasing employment and tackling economic inactivity* – will make an important contribution to addressing this recommendation. It will support the integration of vulnerable groups into the labour market including incapacity benefit claimants, disabled people, lone parents some ethnic minority groups, older people and those from areas of high deprivation. Barriers to participation in work will be addressed through individually tailored support to increase employability and help people find jobs as well as by skills improvement. This priority will also help people with work-limiting health conditions and disabilities to remain in work and encourage employers to develop more flexible working practices.

*EES Recommendation 3* - Improve access to and affordability of childcare and care for other dependants, increase access to training for low paid women in part-time work, and take urgent action to tackle the causes of the gender pay gap.

3.72 Notwithstanding considerable recent improvements in the availability and affordability of childcare, further progress on both aspects is needed for all parents to have a real choice to work. ESF Priority 2 – *Increasing employment and tackling economic inactivity* will include action to enhance access to affordable and appropriate support for people with caring responsibilities, especially childcare. ESF Priority 3 – *Improving skill levels and the adaptability of the workforce* will retain a focus on gender equality in employment, in particular tackling the causes of the gender pay gap. This will include actions to tackle occupational segregation – vertical and horizontal; raise awareness of gender disadvantage in the workforce, and increasing economic activity in occupations and sectors where men and women are currently under-represented.

*EES Recommendation 4* - Investing more and more effectively in human capital and lifelong learning by implementing national and regional skills strategies to provide better incentives for lifelong learning and thereby increase productivity and quality in work; place particular emphasis on improving literacy and numeracy of the workforce, the participation and achievement of 16-19 year olds, and low-skilled workers, especially those in poorly paid jobs.

3.73 Increasing skills in the workforce, particularly at low and intermediate levels, but also including targeted investments in higher level skills, is identified as key to productivity growth and will be addressed through ESF Priority 3 – *Improving skill levels and the adaptability of the workforce*. There will be a focus on improving basic levels of literacy and numeracy; skills to support progression in employment and the higher level skills to support the knowledge economy. This priority will also contribute towards addressing skills mismatches. ESF Priority 1 – *Supplying young people with the skills for learning and future employment* – will contribute to reforms to the secondary curricula through the 14-19 Learning Pathways initiative, which will provide more flexible learning pathways and address early school leaving, as well as encouraging more young people to continue in learning and to progress to higher qualification levels.

## **Social Inclusion**

3.74 The ESF Convergence programme will also take forward action which complements the UK National Action Plan on Social Inclusion (2006 – 2008) - *Working Together*. This Action Plan and the Welsh Assembly Government's Social Justice Report<sup>111</sup> highlight the key challenges to be addressed in tackling poverty

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<sup>111</sup>Welsh Assembly Government's Wales Social Justice Report  
<http://new.wales.gov.uk/topics/socialjustice/publications/socjustreport2006?lang=en>

and inequality. These include improving access to employment and tackling economic inactivity, raising skills, eradicating child poverty, reducing homelessness, combating health inequalities and improving access to quality services.

3.75 Tackling poverty and inequality is an essential objective in improving quality of life, promoting social inclusion, and delivering equality of opportunity to every community in Wales. The Welsh Assembly Government is developing and implementing a range of policies and programmes aimed at combating poverty and exclusion faced by disadvantaged groups and those living in the most deprived communities. These include Communities First, the Want2Work initiative, the Child Poverty Strategy and subsequent Implementation Plan, 14-19 Learning Pathways agenda, the Inequalities in Health Fund and the Welsh National Homelessness Strategy. The current Structural Fund programmes have supported action under a number of these initiatives.

3.76 The UK Social Inclusion National Action Plan sets out 4 key policy objectives, where the activities of the new ESF Convergence Operational Programme will assist and add value:

- Eliminating child poverty
- Increasing labour market participation
- Improving access to quality services; and
- Tackling discrimination

3.77 The UK Government has set a target to eliminate child poverty by 2020, and under *Priority 1 – Supplying young people with skills for learning and future employment*, the new ESF Convergence Operational Programme will help young people affected by some of the side effects of child poverty, such as poor literacy and numeracy, social disaffection and disengagement from learning, and barriers to future employment prospects, and help lift young people out of deprivation and break the cycle of poverty.

3.78 The UK NAP outlines the strategy for providing more help to people who are excluded from the labour market in order to achieve a reduction in the number of people claiming incapacity benefits by 1 million in a decade, 300,000 more lone parents in work, and an increase in the number of older workers by 1 million. ESF *Priority 2 – Increasing employment and tackling economic inactivity*, will support these objectives by tackling economic inactivity through encouraging and assisting individuals who are disengaged from the labour market to access employment opportunities, helping the low skilled and disadvantaged groups tackle barriers to employment, and also support measures to prevent employees and individuals with work-limiting health conditions becoming economically inactive.

3.79 Under *Priority 3 – Improving skills levels and the adaptability of the workforce* action will focus on improving skills levels amongst the workforce, particularly basic skills such as literacy and numeracy, and developing intermediate and higher skills,

as well as helping businesses adapt to changing economic conditions. In recognition that by 2024 around half of adults in the UK will be aged over 50 years, the retention and re-skilling of older workers within businesses and organisations, is an important step towards meeting future skills needs and adapting to a changing economic climate. This aspect of the ESF programme supports the NAP by ensuring people are able to break the cycle of poverty and obtain financial security via employment, and tackle issues such as age discrimination.

3.80 Efficient public services play an important part in tackling social exclusion. *Priority 4 – Improving and modernising public services: Making the Connections*, will assist with fulfilling this strategic objective. The NAP sets out how policies and services are being joined up more effectively at local level to ensure efficient and constantly improving public services, which are accessible to all. Priority 4 details the ways in which ESF funding can support the distinctive Welsh public services agenda and need for reform, through the Making the Connections strategy.

3.81 Under the ERDF Convergence Operational Programme's *Priority 5 – Building sustainable communities* a range of activity will support the overarching objectives contained within the UK National Action Plan. It will focus on tackling deprivation and improving local economies in an integrated way bringing together physical regeneration with community economic development. It will support the development of community networks, build the capacity of communities to be enterprising; ensure local people are given equality of opportunity to access the benefits of local investments; and support the development and growth of specific services where gaps have been or can be evidenced. In taking these issues forward, it will develop synergies with activity supported elsewhere in the ERDF Operational Programme and under the ESF Convergence Programme's priorities.

3.82 The NAP also identifies the UK Government's commitment to tackling discrimination. There has been considerable progress over the past 30 years but some groups are still at greater risk of deprivation than others, in particular disabled people and people from Black and minority ethnic (BME) groups. Too many people are prevented from achieving their full potential as a consequence of discrimination. Both the ESF and ERDF operational programmes will support this objective through its Equal Opportunities cross cutting theme which ensures all projects build in recognition of the need to address equality issues. The ESF programme will also provide more targeted support through action in Priority 3, Theme 3 – Promoting Gender Equality.

### **Approach to Added Value**

3.83 The programme will build on investments supported under current and previous programmes, drawing on the evaluation of their impact and the lessons learned in their implementation. It is clear that the European Structural Funds are adding value to the implementation of national policies and programmes in Wales,

both in terms of substance and process. This emphasis on added value will be carried forward into the new programme period.

3.84 In terms of the programme's overall aim and objectives, the Structural Funds will complement national policies and support closer alignment with EU policies for supporting economic development. Making the most of these synergies will help to ensure that maximum value is derived from the new programmes. Multi-annual programming also provides a firm basis for longer term action aimed at addressing more fundamental or intractable issues, and effecting transformational change.

3.85 In terms of actual investment, the Structural Funds will add value to current provision in a number of ways. This includes introducing new employment and training services, or extending the provision of existing services. Secondly, value can be added by improving the quality of services and provision. Thirdly, there is an opportunity to bring forward investments that might be planned for some future date, for example, bridging the gap between the "Want2Work" programme, helping economically inactive people back into work, and the planned roll-out of "Pathways to Work" by the UK Department for Work and Pensions. The Structural Funds will also add value through increasing the focus on equal opportunities for all, and environmental sustainability through implementation of the Cross Cutting themes.

3.86 Value from the Structural Funds also comes through process. One key benefit is the interaction encouraged between partners at national, regional and local levels in the shared endeavour of promoting economic growth. Such partnership working has been a key feature of the preparatory phase of this new Programme and will be extended to include partnership at the Spatial Plan Area level and the arrangements for Strategic Frameworks. The funds also promote the principles of transparency, fairness and equal opportunities and these principles will continue to be reflected in the arrangements for dispersing funds. Finally the Structural Fund programmes encourage innovation and provide a platform for working with other regions and a wide range of organisations to share best practice. More detail on added value is contained in Chapter 4 - Priorities.

### **Cross-Cutting Themes**

3.87 In addition to the priorities outlined above, two Cross-Cutting or horizontal themes will be integrated into all aspects of the Convergence programme in accordance with the requirements of EU Regulation [1083/2006] Articles 16 and 17. The strategy for implementing the two Cross-Cutting themes of equal opportunities and environmental sustainability is addressed in more detail in Chapter 5 - Cross-Cutting Themes, and the Implementing Provisions – Chapter 6.

#### *Environmental sustainability*

3.88 The growing evidence of climate change and its wider consequences emphasise the importance of making sure that economic growth does not come at

the cost of ever-increasing demands on the environment. Negative effects of growth will be offset both by specific actions, and by the integration of environmental sustainability throughout the programme as a horizontal theme. All projects will be expected to address the environmental sustainability theme by including appropriate opportunities to address the environmental issues that affect the region and the wider global environment.

### *Gender equality and equal opportunities for all*

3.89 The need to recognise the contribution that all individuals can make is an important one. The European Roadmap for Equality between men and women 2006–2010<sup>112</sup>, and the package of measures introduced in 2000 by the European Union designed to enforce the right of people everywhere to be treated equally and to strengthen respect for human rights throughout the European Union<sup>113</sup>. These directives reflect a growing recognition of the benefits of diversity for the economy and for society as a whole.

3.90 Equal Opportunities will be integrated as a cross-cutting theme into the ESF Convergence programme in order to promote equal access for all to opportunities in the Convergence programme. Assistance will be provided, for example, for actions that enable access to business support measures, including training and targeted interventions for previously excluded groups, particularly Black and minority ethnic people and disabled people. The theme of gender equality in the ESF programme can be supported by activities funded under the ERDF Convergence programme that challenge gender stereotyping, support women and men into non-traditional areas of work, and encourage work life balance.

3.91 The range of actions that will be taken within the priorities and themes to promote horizontal integration of the programme's environmental sustainability and equal opportunities objectives is demonstrated by a matrix analysis (Annexes D and E).

## **Complementarity between ESF Programme and other EU policies and funding instruments**

### *ESF and ERDF*

3.92 The ESF Convergence programme for West Wales and the Valleys has been developed to align closely with the ERDF Convergence programme, ensuring that the priorities identified for each programme, complement and add value to each other. There are close linkages especially in the areas of employment opportunities, innovation and higher level and graduate level skills, where delivery of the ESF

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<sup>112</sup> The European Road Map for Equality between men and women 2006-2010

[http://ec.europa.eu/employment\\_social/emplweb/news/news\\_en.cfm?id=136](http://ec.europa.eu/employment_social/emplweb/news/news_en.cfm?id=136)

<sup>113</sup> [http://ec.europa.eu/employment\\_social/fundamental\\_rights/legis/legln\\_en.htm](http://ec.europa.eu/employment_social/fundamental_rights/legis/legln_en.htm)

elements support the innovation, research and development initiatives of the ERDF programme. Also, in the area of building sustainable communities, getting more people into sustainable employment, will be central to the long-term well being of individuals, families and thriving communities. Increasing employment is a key driver of economic growth and one of the factors that explains West Wales and the Valleys' productivity gap. The programmes will work together to support the shared vision of a vibrant West Wales and the Valleys' economy.

3.93 The Convergence programmes seek to maximise synergies between ESF and ERDF interventions. This could include support for the ESF programme's objectives through capital costs of developing new learning facilities under the ERDF programme's Priority 3 – developing the strategic infrastructure for a modern economy. Use will also be made of the provisions in EU Regulation [1083/2006] Article 34 (2), which allow up to 10% of the funds available within relevant Priority axis to finance, in a complementary manner, actions falling within the scope of assistance of the ESF or ERDF fund. The flexibility facility will be used to fund actions which fall within the scope of ERDF where those actions are directly linked to the ESF operation, and necessary for its successful implementation. The approach to deploying this flexibility is outlined in respect of each of the relevant Priorities in Chapter 4.

#### *EAFRD and EFF*

3.94 In line with of EU Regulation [1083/2006] Article 37(1f), the demarcation criteria and mechanisms for co-ordination between the ESF and the ERDF on the one hand, and the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF) on the other are set out below. This explains how the Welsh Assembly Government will ensure that there is maximum alignment and value for money, whilst avoiding any duplication or double funding.

3.95 As a general principle, ESF funded activities will primarily address rural issues as part of a wider regional, sub-regional or national activity through the provision of integrated employment and skills programmes which contribute to improved economic performance. These will include interventions to raise economic activity rates within rural areas by reducing unemployment and economic inactivity, and supporting the development of a more skilled and adaptable workforce.

3.96 RDP and EFF funding will be focussed on supporting diversification of rural economies at the local level and on improving the quality of life in rural areas. This includes interventions in agriculture, including supporting innovative farm diversification, forestry and food processing, and the development and management of viable and sustainable marine and inland fisheries.

3.97 Demarcation will be achieved through clear differentiation in the eligibility rules. No activity will be eligible for funding from more than one programme. ESF funding will not be available for interventions that target individuals or enterprises engaged in

agriculture, forestry or fisheries, or individuals or enterprises engaged in the primary processing of agricultural, forestry or fisheries products. This will be clearly stated in the eligibility rules and this eligibility requirement will apply across all Structural Fund Programmes. The ESF will not fund activities which support agri-food schemes or the primary processing of agricultural and / or forestry products. This principle will apply equally to EFF in respect of fish and shellfish products and processing.

3.98 The RDP specifically identifies the need to create better rural communities with better access to economic opportunity. Where these actions may include addressing gaps in skills provision and mainstream training provision the general principle of demarcation by eligibility will apply in that RDP and EFF actions will be specific to meet the needs of the sectors identified above. For instance, provision of vocational training for farmers, or in the case of EFF support for the marine and inland fisheries sector, will not be eligible for support through the scope of the ESF programme.

3.99 Similarly, vocational training for agriculture and forestry workers relating to their skills levels will be covered under RDP Axis 1 (Farming Connect). Environmental management would be covered under Axis 2, and life skills or generic personal, basic and business skills could be supported under Axis 3. The ESF may support craft-based training programmes, for example, construction skills, but not in the fields outlined above. There is scope for complementarity between the instruments in how training and employment programmes work together, including helping on the non-vocational skills agenda, wider community needs, developing alternative sources of income, developing opportunities for family members, addressing general social and cultural needs.

3.100 The RDP sets out the requirement for the development of local development strategies to establish the governing principles and key areas for action and the exact activities to be undertaken. The LEADER methodology will be embedded in this process and for RDP Axes 3 and 4 these local strategies will be discussed with the Spatial Plan Area Groups, which will be asked to endorse them. The Spatial Plan Area Groups are responsible for contributing to the development of the separate thematic Strategic Frameworks delivering the ESF programme and this process will allow for the identification of any potential overlap between the ESF and EAFRD or EFF, whilst at the same time ensuring that opportunities to added-value and complementarity between the each of the funds is identified and maximised where possible.

3.101 The Welsh Assembly Government recognises the need to take account of the demarcation and complementarity set out above in the implementation of the ESF programme. This will be done in three ways:

- Cross membership of the respective PMCs for the Structural Funds, the EAFRD and the EFF.

- A specific statement in the Structural Funds' eligibility rules that farmers and those engaged in primary processing of agricultural, fisheries or forestry products are not eligible for support from the ESF for these activities; and
- External guidance for potential project applicants, developed jointly with staff working on the RDP and the EFF programme for Wales.

3.102 To eliminate the potential for double funding and to maximise complementarity at a project level, further communication will be made between the respective teams at application stage. As part of the WEFO process, applicants will need to show how their project fits with the relevant strategies and programme. Part of this will be the RDP and the EFF and WEFO appraisal officers will ensure that where any project has the potential to fit into the demarcation or complementarity areas as outlined above, the relevant officers will be consulted and rigorous appraisal will be carried out.

3.103 Post approval, projects will be subject to strict monitoring to ensure that the terms of the approval are adhered to and any subsequent request to amend a project will be given equally careful consideration.

3.104 A reciprocal arrangement will be introduced for projects submitted under the RDP and EFF.

3.105 Other European policies and instruments such as the Research Framework Programme 7<sup>114</sup> and Employment and Skills, such as the Lifelong Learning Programme<sup>115</sup> will be complemented by the ESF programme's activities. The Lifelong Learning Programme comprises four sectoral programmes on school education (Comenius), higher education (Erasmus), vocational training (Leonardo da Vinci) and adult education (Grundtvig), and is completed by a transversal programme focusing on policy cooperation, languages, information and communication technology and dissemination and exploitation of results. The aim of the new Lifelong Learning programme is to contribute through lifelong learning to the development of the Community as an advanced knowledge society, with sustainable economic development, more and better jobs and greater social cohesion. It aims to foster interaction, cooperation and mobility between education and training systems within the Community, so that they become a world quality reference.

## **Research and Development**

3.106 The successful exploitation of research, technology and innovation will be critical to achieving our ambition of a thriving competitive economy. This will provide a cornerstone for achieving ever-increasing productivity and enterprise, and for

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<sup>114</sup> European Commission's Research Framework programme 7 (FP7) for 2007–2013 'Building the Europe of Knowledge': [http://ec.europa.eu/research/future/index\\_en.cfm](http://ec.europa.eu/research/future/index_en.cfm)

<sup>115</sup> European Union Lifelong Learning Programme, [http://ec.europa.eu/education/programmes/newprog/index\\_en.html](http://ec.europa.eu/education/programmes/newprog/index_en.html)

creating more jobs and wealth, making Wales a world-class player. With the low level of business R&D expenditure compared to other parts of the UK, businesses need to be encouraged to collaborate in order to create a 'virtual agglomeration effect'. Higher education, further education and business will be encouraged to work together in order to promote technological development, transfer and commercialisation and to increase their access to the EU's 7<sup>th</sup> Research Framework Programme.

### **Monitoring and Evaluation of Progress**

3.107 The Welsh Assembly Government considers high quality monitoring and evaluation to be essential for effective programme management and evidence-based policy decision making. Monitoring and evaluation made an important contribution to the management of the 2000–2006 Structural Funds Programmes in Wales and the lessons learned from monitoring and evaluation have been taken on board in the design of the 2007 - 2013 Structural Funds Programmes. Monitoring and evaluation will continue to have key roles to play in maximising the quality and effectiveness of the 2007 - 2013 Programmes.

3.108 The Welsh Assembly Government's approach to assessing the success of the Structural Funds Programmes is based around:

- tracking progress of a range of economic indicators, notably employment, earnings and GVA, in absolute terms and relative to other parts of the UK and EU;
- monitoring against the indicators set for individual priorities, grossed up to programme level;
- programme-level evaluation;
- strategic framework-level evaluation; and
- project level evaluation.

#### *Tracking Indicators*

3.109 The high level tracking indicators set out in *W:AVE* and the *Learning Country 2: Vision into Action* have been developed to provide a broad and robust picture of the fundamentals of sustainable economic growth. They will be used both to monitor progress over time and to compare Wales against other countries and regions. Many of these tracking indicators are also available at NUTS 2 level and will therefore be used to provide a balanced assessment of progress in the West Wales and the Valleys economy. Where data is not available at NUTS 2 level, appropriate alternative indicators have been identified. Progress will also be tracked against selected Lisbon indicators, many of which overlap closely with the indicators set out in *W:AVE*, but some of which are defined slightly differently.

3.110 It should be noted that performance against these indicators is dependent on other factors such as macroeconomic trends and global events. Nevertheless, the following high level economic development tracking indicators provide the overall context for assessing the progress of West Wales and the Valleys. The use of these tracking indicators will ensure that broader trends in the economy, including structural changes, are taken into account in the evaluation of the effectiveness of the Convergence programmes in Wales.

3.111 The following high level economic development tracking indicators will therefore provide the overall context for assessing the progress of the Convergence programme.

**Table 25: Programme Level Tracking Indicators**

	<b>Economic development and Labour Market indicators</b>
<b>High-level economic</b>	GVA per capita <sup>i</sup> Household disposable income per capita <sup>i</sup> Employment rate <sup>i</sup> Average earnings <sup>i</sup>
<b>Labour market</b>	Economic inactivity rate Unemployment rate <sup>i</sup> Migration flows
<b>Value-added per job</b>	GVA per worker and per hour worked <sup>i</sup>
<b>Skills</b>	Qualifications of working age population <sup>ii</sup> Qualifications of 16-18 year olds and 19-21 year olds <sup>i</sup> Proportion of the workforce in professional, technical, managerial and scientific employment
<b>Social cohesion</b>	Percentage of working age adults in workless households <sup>iii</sup> Percentage of children in workless households <sup>iii</sup>
<b>Equal opportunities</b>	Female earnings as a percentage of male earnings <sup>iv</sup>

<sup>i</sup> Indicator similar to short listed Lisbon Structural Indicator.

<sup>ii</sup> Indicator covers qualification indicators in *The Learning Country 2*.

<sup>iii</sup> Indicator not in W:AVE, alternative proposed. Data not currently available but expected to be available in 2007

<sup>iv</sup> Indicator not in W:AVE, alternative proposed

3.112 Baseline data can be found within Annex K - Indicators.

**Table 26: Programme-level Indicators**

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

Indicator	Target (2015)
Total participants <sup>116</sup>	267,500*
Female participants <sup>117</sup>	146,150
Economically inactive participants <sup>118</sup>	63,750
Unemployed participants <sup>119**</sup>	55,000
Employed participants <sup>120</sup>	122,500
Employers assisted or financially supported <sup>121</sup>	20,060
Collaborative agreements between public service bodies <sup>122</sup>	20
Participants entering employment <sup>123</sup>	27,500
Participants gaining qualifications <sup>124</sup>	79,530
Participants gaining a basic skills qualification <sup>125</sup>	43,900
Participants gaining a qualification at Level 2 <sup>126</sup>	23,000
Participants gaining a qualification at Level 3 <sup>127</sup>	8,900
Participants gaining a qualification at Level 4 and above <sup>128</sup>	3,800
Participants entering further learning <sup>129</sup>	57,700

\*Includes 35,000 Priority 1 participants who are in the 11-19 age group

\*\* Unemployed participants includes individuals under formal notice of redundancy

<sup>116</sup> The number of individuals participating in this Programme

<sup>117</sup> The number of female participants participating in this Programme

<sup>118</sup> The number of participants who are economically inactive (excluding students) participating in this Programme

<sup>119</sup> The number of participants who are unemployed participating in this Programme

<sup>120</sup> The number of participants who are employed participating in this Programme

<sup>121</sup> The number of employers that receive assistance or financial support, funded by ESF

<sup>122</sup> The number of collaborative agreements between public service bodies secured through ESF support

<sup>123</sup> The number of participants entering employment following participation in this Programme

<sup>124</sup> The number of participants gaining a qualification as a result of participation in this Programme

<sup>125</sup> The number of participants gaining a basic skills qualification as a result of participation in this Programme

<sup>126</sup> The number of participants gaining a qualification at Level 2 as a result of participation in this Programme

<sup>127</sup> The number of participants gaining a qualification at Level 3 as a result of participation in this Programme

<sup>128</sup> The number of participants gaining a qualification at Level 4 or above as a result of participation in this Programme

<sup>129</sup> The number of participants entering further learning following participation in this Programme

## Strategic Implementation

3.113 In addition, experience and lessons learned suggest that a more strategic approach to implementation will help ensure that the new programmes make an even stronger contribution to sustainable economic development. Evaluations of the 2000–2006 programmes have suggested that there are too many projects and that it is difficult to quantify the contribution of some of these to achieving the strategic aims and objectives of the programmes. There is much to be gained by bringing complementary projects together within the context of strategic frameworks to drive the delivery of key parts of the programmes. Further information on this more strategic approach to delivery and the principles which will guide the development of the new frameworks is provided in Chapter 6, Implementing Provisions.

## Welsh Language

3.114 The Welsh Assembly Government wants Wales to be a truly bilingual nation where people can choose to live their lives through the medium of either Welsh or English or both and where the presence of the two languages is a visible and audible source of pride and strength to everyone. In order to fulfil that vision, the Welsh Assembly Government has made a commitment – in *laith Pawb*<sup>130</sup>, the National Action Plan for a Bilingual Wales and its Welsh Language Scheme – to mainstream the Welsh Language across policy areas. The implementation of the Convergence programmes will reflect this commitment.

## Mainstreaming of Community Initiatives

3.115 Wales has been very successful in securing funding under the Great Britain EQUAL programme 2000–2006. Four Development Partnerships operated during the first round, receiving ESF funding of £1.6 million. This increased to 15 Development Partnerships during the second round, with ESF funding of £15 million. Projects such as *'Healthy Minds at Work'*, have helped to increase understanding of the links between economic inactivity and mental health in the workplace. In addition to learning valuable policy lessons, the EQUAL approach to implementation through development partnerships has proved very successful in building understanding and partnership into all aspects of the projects, and facilitating mainstreaming of policy and operational lessons.

3.116 The experience of EQUAL will be taken forward under the new ESF Convergence programme in developing arrangements for supporting both innovative actions, and trans-national co-operation.

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<sup>130</sup> Welsh Assembly Government's *laith Pawb*:  
[http://new.wales.gov.uk/about/departments/dlqc/publications/Welsh\\_language/laith\\_pawb?lang=en](http://new.wales.gov.uk/about/departments/dlqc/publications/Welsh_language/laith_pawb?lang=en)

## **Social Partner Actions**

3.117 In accordance with EU Regulation [1081/2006] Article 5, the participation of the social partners (business and trade unions) will be actively encouraged in implementing the ESF Convergence programme. This will include support for actions which improve the effectiveness of social dialogue and activities jointly undertaken by or led by the social partners, in particular as regards the adaptability of workers and enterprises. An appropriate amount of resources will be specifically allocated for social partner led activities as indicated in Chapter 4. It is envisaged that approximately €5.6 million of ESF will be allocated through Priorities 1, 2 and 3. The following activities provide an indication of actions that could be taken forward in close collaboration with the social partners:

### Priority 1

- Strengthening links between business and education aimed at ensuring that there is a closer integration between employer needs and the vocational and basic skills curricula. This might include industry placements for teachers or education placements for business. It might also include extended or enhanced work experience placements for young people.

### Priority 2

- Partnership initiatives aimed at promoting equality and diversity in employment;
- Initiatives which help disadvantaged groups overcome barriers to employment, including mentoring programmes;
- Improving disability awareness and management, including partnership arrangements addressing health related employment barriers; and
- Partnership initiatives responding to significant redundancies.

### Priority 3

- Initiatives aimed at supporting the retention of older workers in employment.
- Fostering employer and employee engagement in learning, including through initiatives which promote, recognise and reward good practice;
- Promoting initiatives, including partnership arrangements in the workplace, aimed at anticipating and responding to job and organisational change and adapting to new technology;
- Improving environmental awareness and management.

## **Strategy for innovation and transnational activity**

3.118 The Managing Authority will promote and support both innovative action and transnational activity through a range of Priorities within the Operational Programme, thereby ensuring that the principles that underpin them have a major influence on overall delivery. Because of this mainstreaming purpose, there will not be a separate

and distinct programme or priority axis within the Operational Programme for either innovation or transnational activity.

3.119 The scope for both innovation and transnational activity will be identified at the level of Priority Themes as part of the development of Strategic Frameworks. This will ensure the full involvement of Framework partnerships and the Programme Monitoring Committee in selecting the areas in which both innovative action and transnational activity should be actively promoted and encouraged.

### **Innovative Actions**

3.120 The revised Lisbon agenda places a strong emphasis on activating knowledge and promoting innovation. This is reflected in the Community Strategic Guidelines which encourage the development of strategies with specific provision for experimentation to stimulate regional and local actors to innovate and the new regulatory requirements concerning the mainstreaming of innovative actions. Innovation in this context is broader than traditional 'technological innovation'. It is defined as the generation of new knowledge and its transformation into new products, processes or services that respond to a demand from citizens. It includes social innovations that support the modernisation of the economy, as well as the reform of employment and social inclusion policies and actions.

3.121 In accordance with EU Regulation [1081/2006], Articles 3(5) and 7, the ESF Convergence programme will encourage innovation through agreed Strategic Frameworks, and will actively support the dissemination of outcomes and the sharing of best practice. In so doing, the Managing Authority will encourage the application of lessons learned under the EQUAL programme.

3.122 Intensive evaluation will be a core feature of all projects promoting innovation and the results of this experimental work will be used to inform both policy and delivery, with the lessons learned feeding into mainstream programme implementation and project development. A clear strategy to promote this mainstreaming will be developed in consultation with the Programme Monitoring Committee (PMC) as part of the arrangements for implementing all ESF and ERDF programmes.

3.123 The scope for innovative actions will be identified in consultation with partners as part of the work on Strategic Frameworks and will subsequently be agreed with the Managing Authority (see Chapter 6 – Implementing Provisions). The sections within Strategic Frameworks that cover scope for Innovative Actions will also cover guidance on evaluation and the potential for mainstreaming action.

3.124 In advising sponsors on the development of projects promoting innovation the Managing Authority will draw on the lessons learned from the implementation of

EQUAL, including the need for involvement of policy makers and key stakeholders and the importance of rigorous and independent evaluation.

3.125 Innovative action projects will be subject to specific monitoring as part of the Managing Authority's new programme management system (PPIMS) and will operate under standard eligibility rules. All innovative action projects will be subject to external evaluation.

3.126 Possible areas for innovative actions might include:

- Developing alternative curricula to engage disaffected young people in learning (Priority 1)
- New ways of engaging with and integrating the most disadvantaged groups into sustainable employment (Priority 2);
- New ways of supporting employers and employees in dealing with health related issues (Priority 2);
- Promoting the integration of migrant workers within the workforce (Priority 2);
- Supporting the retention of older workers in employment (Priority 3);
- Innovative learning delivery approaches and methodologies for identifying and addressing skills needs (Priority 3);
- New ways of helping employers and employees adapt to job and organisational change (Priority 3);
- Innovative approaches to public service collaboration (Priority 4).

### **Trans-national and Inter-regional Co-operation**

3.127 The new regulatory framework also provides for the mainstreaming of transnational and inter-regional co-operation. This provides an exciting opportunity to add value to the implementation of the ESF Convergence programme by facilitating collaboration in areas of mutual interest with other European regions.

3.128 While projects involving partners from across the European Union will be considered, particular emphasis will be given to activities with Member States and regions with which the Welsh Assembly Government has formal co-operation agreements. These include Latvia, Brittany, Catalonia, Upper Silesia and Baden-Württemberg. It will also be possible to build upon successful transnational cooperation arrangements established under the EQUAL initiative and with regions that are members of the European Association of Regional and Local Authorities for Lifelong Learning (EARLALL), which has already has significant experience of facilitating transnational working among its members.

3.129 Examples of transnational networks that could provide access to potential ESF partners for West Wales and the Valleys include the European Regions Research and Innovation Network (ERRIN) which has a particular focus on R&D; the informal e-Learning Group which aims to develop structured networking opportunities for e-learning practitioners on a range of pedagogic, technological and

policy issues; and the Brussels based information network for Education and Training (BBInet) which was recently created to bring together Chambers of Commerce and Industry with education associations and other social or business agencies, to consider topics such as mobility, and adult education.

3.130 In line with the provision in EU Regulation [1081/2006], Article 3(6) and 8, the ESF will support innovative and high quality transnational and inter-regional activities across all relevant programme priorities. The following indicative activities illustrate the expected scope for transnational and inter-regional action:

- increasing and improving adaptability, including for example action to support lifelong learning, and restructuring;
- supporting the integration of job-seekers and inactive persons, for example including action to promote age management, youth unemployment (in the context of the European Youth Pact) work-life balance and migrants;
- supporting integration of disadvantaged groups and combating discrimination, including for example action to support persons with disabilities, ex-offenders, ethnic minorities and people with caring responsibilities;
- enhancing human capital including for example action strengthening systems for the validation of skills;
- supporting the transfer of skills and best practice across the public sector through a network of partner public services; and
- identifying innovative technologies and successful leadership and management practices within a trans-national context.

3.131 The Managing Authority will establish a separate Transnational Co-operation Unit to support and co-ordinate action under the programmes. Arrangements will be put in place through that Unit to ensure that transnational activities supported through the ESF convergence programme do not overlap with those supported through other Community programmes, notably the vocational education and training (VET) and adult education strands within the EU Lifelong Learning Programme, namely the Leonardo and Grundtvig sub-programmes, together with the VET projects within the Erasmus sub-programme, and the policy development and information and dissemination strands of the transversal sub-programme. To take this forward, we will co-operate closely with the UK national agencies responsible for the Lifelong Learning programme (British Council and ECOTEC) to ensure that there is no double funding, and that projects are complementary. In addition, trans-national and inter-regional projects supported through ESF will take account of integrating the lessons learnt from the EQUAL Community Initiative.

3.132 Wales is a founder member of EARLALL. It has participated in a number of joint projects with other EARLALL members, including an initial project proposed by the Commission to test the concept of 'valorisation' and an on-going project

designed to test the 'open method of co-ordination' as a mechanism of dissemination.

3.133 It is currently working with EARLALL partners to put in place a series of bilateral 'mobility agreements' promoting the free flow of learners, researchers and workers between member regions, and anticipates that such agreements are likely to involve further joint development work in areas such as:

- e-learning,
- skillsets for entrepreneurship,
- the definition of other vocational competences,
- the recognition of credit towards vocational qualifications, and
- the encouragement of reciprocal work experience placements for students and practitioners between regions.

3.134 The emerging Regions for Economic Change initiative was introduced by the European Commission in November 2006. The EU-wide Inter-regional Co-operation Programme for 2007-2013 supported under the Territorial Co-operation Objective, will provide an important instrument for implementing this initiative. Regions for Economic Change offers significant opportunities for West Wales and the Valleys in the area of mainstreaming transnational and innovative actions and is aimed at exchanging best practice between Europe's regions.

3.135 The initiative provides opportunities for organisations in Wales to engage with regions in other areas of Europe around themes connecting European Union policies to the Lisbon agenda. It introduces a new vehicle for regions to share and test best practice for economic modernisation and increased competitiveness and to disseminate results into mainstream Convergence programmes.

3.136 In the framework of the Regions for Economic Change initiative the Managing Authority commits itself to:

- a) make the necessary arrangement to welcome into the mainstream programming process innovative operations related to the results of the networks in which the region is involved;
- b) to allow in the Programme Monitoring Committee (or programming committee) the presence of a representative (as an observer) of the network(s) where the Region is involved, to report on the progress of the network's activities;
- c) foresee a point in the agenda of the Programme Monitoring Committee (or programming committee) at least once a year to take note of the network's activities and to discuss relevant suggestions for the mainstream programme concerned;

d) inform in the Annual Report on the implementation of the regional actions included in the Regions for Economic Change initiative.

## Consultation

3.137 The Wales chapter of the NSRF and the Convergence programme have been developed through an extensive process of engagement with partners. This has included an External Stakeholders Group, which brings together representatives of the main partner organisations and five workstreams<sup>131</sup> which contain experts from across the private, public and voluntary sectors. These workstreams have supported the development of the new Operational Programme and have advised on future programme management, evaluation and monitoring and audit and compliance arrangements.

3.138 The Convergence programmes consultation was launched on 28 July 2006 for a period of 10 weeks, closing on 06 October 2006. Independent analysis of the consultation responses has been undertaken by CRG Research Ltd and the full report will be placed on the WEFO web site<sup>132</sup> along with the formal consultation responses. Feedback was also received from the four WEFO consultation events and other stakeholder events organised by the local government, business, community and voluntary sectors, which were attended by WEFO officials. Since July, WEFO has consulted with over 1,000 stakeholders. A total of 129 formal responses were received from the public consultation. The initial findings of the analysis report were discussed with the Post 2006 External Stakeholder Group.

**Table 27: Respondents to the consultation**

Sector	Number of responses
Voluntary & Community Sector	17
Economic Development / Training Partnerships	35
Private Sector	10
HE / FE organisations	14
Trade / Professional Associations	8
Local Authorities	19
Government Agencies	8
National Assembly for Wales	6
Environment, Culture & Heritage	9
Other	1

3.139 The main points that emerged were:

- broad support for the strategy, priorities and themes;

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<sup>131</sup> The Post 2006 workstreams are part funded by Objective 1 ERDF and Objective 1 ESF Technical Assistance.

<sup>132</sup> <http://www.wefo.wales.gov.uk>

- general agreement on key principles i.e. simplification, transparency, inclusive decision making and building on lessons from 2000 – 2006 programmes;
- mixed views on how to apportion resources between priorities;
- mixed views on the level of focus on the Lisbon agenda, strong support from some and concern about a reduced focus on some areas of activity from others;
- recognition of the importance of good monitoring and evaluation and clear processes for collecting management information;
- support (particularly from HEIs) for the role of higher education in economic development;
- a continuing need for engagement with partners at all levels;
- more information requested on the role of the Wales Spatial Plan and its interaction with the proposed Strategic Frameworks; and
- a perceived lack of emphasis on the tourism sector.

3.140 Details of the range of comments are given at Annex A – Public Consultation Responses.

### **Summary of ESF Convergence Ex Ante Evaluation**

3.141 In accordance with EU Regulation [1083/2006], Article 47, Ex Ante Evaluations have been undertaken for the Convergence Programmes (ERDF and ESF) to ensure that resources are allocated optimally and to maximise the quality of plans for programme implementation. In April 2006, following a competitive tender process, DTZ Consulting and Research were contracted by WEFO to undertake these evaluations

3.142 The ESF Convergence Ex Ante Evaluation concluded that the socio-economic analysis is relevant and well-constructed. Data sources used were considered credible with sufficient sub-regional analysis undertaken where appropriate. The evaluators had recommended previously that further comparisons be made using EU (25) data. This was consequently implemented. The evaluators had also recommended that the analysis make use of forecast data although WEFO considered that forecast data was too unreliable to be included.

3.143 The evaluation concluded that, in general, the Programme is well developed. For the most part, there is a strong link between the key challenges facing West Wales and the Valleys, the strategic vision, and the key elements of the Programme in terms of Priorities and Themes. However, a number of recommendations were

made in order to strengthen the rationale and the majority of these were implemented by WEFO. Some recommendations relating to focussing on immigration and the added value of Structural Funds were not implemented, the former because it was considered this was indirectly addressed and the latter because this would be implemented in Strategic Frameworks guidance.

3.144 The evaluators found a high degree of fit between the ERDF and ESF Convergence Programmes. It also concluded that, for the most part, the Programme is consistent with the policies and strategies at Welsh, UK and EU levels. However, the evaluators made some recommendations to further strengthen this consistency and these were in the large part implemented.

3.145 It was found that the Programme has a high degree of internal consistency, with few conflicts between the Priorities. In terms of implementation arrangements the evaluators recommended that a Monitoring and Evaluation Strategy (or Evaluation Plan) be developed to detail planned monitoring and evaluation activity. Further details on this can be found in Chapter 6 – Implementing Provisions.

3.146 In summary, the Ex Ante Evaluation has been characterised by a high degree of positive and productive interaction between the evaluators and WEFO. Consequently, the vast majority of recommendations and suggestions made by DTZ have been accepted by WEFO and have been incorporated in the draft of the Operational Programme. The final Ex Ante Evaluation report is attached at Annex C.

### **Strategic Environmental Assessment Statement**

3.147 Given the nature of the European Social Fund, focussing on immaterial operations related to Human Resources Development, this Operational Programme does not set the framework for operations likely to have significant environmental effects, such as infrastructure projects, especially the one listed in Annexes I and II to Directive 85/337/EEC as amended.

3.148 Should infrastructure projects be envisaged subsequently, particularly using the flexibility clause of Article 34.2 (EC) No 1083/2006, the need for a Strategic Environmental Assessment would be revisited. Consequently the Managing Authority considers, and the national authorities have agreed, that there is no need for a Strategic Environmental Assessment of this Operational Programme under Directive 2001/42/EC at this time.

3.149 This is without prejudice to any screening determinations that are deemed necessary according to national laws or other measures to implement Directive 2001/42/EC.

## **Chapter 4: Priorities**

### **Priority 1: Supplying Young People with Skills for Learning and Future Employment**

#### *Objective*

4.1 To prepare young people for future employment by raising aspirations and increasing participation in learning.

#### **Target Groups**

4.2 This priority will not fund mainstream provision. It will add value and enhance such provision by focusing on young people aged 11 – 19 years who are at risk of underachieving in education or training, with particular focus on those young people designated as, or at risk of becoming, NEET (not in employment, education or training). This includes young people who need help and support to re-engage or remain in learning or training in order to raise their level of achievement, as well as raising the aspirations of young people to progress to further learning or training, and achieve higher level skills.

4.3 Within the designated 11-19 age group, the main focus of attention will be given to disadvantaged young people aged 14 to 19 years. Approximately 70% of the funding allocated to this Priority will be directed at providing interventions supporting this age group with the balance of funding, (approximately 30%) for activities and interventions for the younger age group between the ages of 11 and 13 years.

#### **Rationale**

4.4 Success in achieving a skilled and internationally competitive workforce in the future, will depend in large part on ensuring that as many young people as possible are engaged in appropriate education or training.

4.5 As career patterns become more flexible, each individual young person needs to be equipped with the appropriate life skills to be able to make the most of the variety of opportunities open to them. Research shows that improving social skills and levels of motivation lead to lower levels of demand for special education and school failure and higher levels of educational achievement. Often this educational success is followed by increased success in employment prospects and social integration.

4.6 Research also indicates that the earlier the intervention the greater the success in achieving higher levels of educational attainment and longer term employment outcomes. Thus, whilst the main focus of the Priority will be on the 14-19 age group, it will also aim to take earlier preventative action with the younger disadvantaged between the ages of 11 and 13 to stop them drifting into disaffection and disengagement and becoming NEET when they are older. Some activity under

this Priority will therefore be directed at addressing the barriers faced by this age group, to ensure they are able to make a successful transition through secondary school into further and higher education.

4.7 Levels of literacy and numeracy in young people in West Wales and the Valleys, though somewhat better than earlier generations, remain low. Literacy and numeracy are the foundation for all other skills and if levels are poor, there is strong evidence that individuals are far more likely to be economically inactive and suffer the wider social consequences of long-term unemployment in adult life, including poorer levels of health and higher levels of deprivation and social exclusion, for themselves and with an additional consequential impact on the communities in which they live.

4.8 Enabling young people to move through secondary education and make a successful transition into further or higher education necessitates access to a greater choice of vocational and academic learning pathways, with more flexible opportunities suited to ability and aptitude. At the same time, there is a need to ensure that disadvantaged groups of young people have access to a better range of support mechanisms to ensure their retention and participation in the education system, to facilitate their future participation in the workforce or in learning.

4.9 Other groups of young people are disadvantaged and facing particular barriers or have specific needs. These include young people with disabilities or from particular Black and minority ethnic (BME) groups. Young people who become NEET are likely to have left school or college with few or no qualifications and have high drop out rates from further education or work-based learning. Targeted interventions are required to ensure young people remain fully engaged with the learning and / or employment system.

4.10 There is clear evidence of social and educational inequality between the different ethnic groups in West Wales and the Valleys. Research shows some BME groups to be disadvantaged in accessing learning, skills and employment. Most BME groups, especially Bangladeshis and Pakistanis, begin from relatively low levels of academic attainment, and experience high unemployment. More significantly, those with relevant academic attainments often fail to reap the rewards their qualification or experience merit.

4.11 As well as facing barriers or possessing specific needs, some young people do not make appropriate career choices and can reduce their future earning potential. There are failures, too, in the provision of learning opportunities, for example in vocational learning with the result that some young people will attempt to join the labour market with insufficient skills for sustainable employment. Many young people also follow traditional gender choices in education and employment. Greater awareness raising and more specific support in learning skills and decision making among boys and girls, to support their entry into non-traditional paths is required. Young people need to be given the options, opportunities, information, experience and support to make informed decisions and choices about their future careers and learning plans. Higher level skills play a vital part in driving forward in Wales the Lisbon agenda for growth and jobs, and development of a knowledge economy, with

higher employability rates and a clear wage premium. Recent data shows that rates of higher skills levels, as measured by qualifications, are significantly lower in the West Wales and the Valleys than in East Wales and other parts of the UK, and more could be made of the opportunities presented by the changing global economy.

4.12 To support the knowledge economy and the needs of employers for higher level skills, there is also a need for more young people to study science. The Welsh Assembly Government's *A Science Policy for Wales*, published November 2006, acknowledges the need for more young people to study science, technology, engineering and maths (STEM) in Wales, at school or college, and higher levels. Offering a wider range of approaches especially in STEM subjects, the Strategy looks to enable more young people, of all abilities, to take the qualification that best suits their needs and abilities, and allows them to progress further in training and education pathways.

### *Policy Context*

#### **European**

4.13 This priority will address the employment recommendation to the UK in 2004 under the European Employment Strategy by supporting action to:

- implement national and regional skills strategies to provide better incentives for lifelong learning and thereby increase productivity and quality in work; place particular emphasis on improving literacy and numeracy of the workforce; the participation and achievement of 16 – 19 year olds and low skills workers, especially those in poorly paid jobs.

4.14 This priority also reflects the following strategies and principles that influence policy design and delivery in Wales:

- the European Youth Pact<sup>133</sup> and the Youth in Action programme (2007-2013), by helping young people develop the competencies essential to their personal and professional development; and
- the 'Thematic Study on Policy Measures concerning disadvantaged youth'<sup>134</sup>, which places emphasis on meeting the needs of disadvantaged youth.

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<sup>133</sup> European Council Conclusions (22-23 March 2005) on European Youth Pact:

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/84335.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/84335.pdf)

Commission Communication (2005) 693 Addressing the concerns of young people in Europe – implementing the European Youth Pact and promoting active citizenship:

[http://ec.europa.eu/youth/whitepaper/post-launch/com\\_206\\_en.pdf](http://ec.europa.eu/youth/whitepaper/post-launch/com_206_en.pdf)

## **UK**

4.15 The key policy drivers at UK level for this priority are the Skills White Paper – *Skills: Getting on in business, getting on at work*<sup>135</sup> which builds upon the first White Paper – *21<sup>st</sup> Century Skills*, published in July 2003. Also of relevance for young people in the UK are the *Every Child Matters*<sup>136</sup> strategy published in 2003, and the *Youth Matters Green Paper*<sup>137</sup> which explored similar aspects for an older age group.

4.16 A major review of the UK's skills levels and future needs was published in December 2006. Lord Sandy Leitch published his final report on UK skills, *Prosperity for all in the global economy – World class skills*<sup>138</sup>, which contains a number of recommendations on how the vision of developing the UK as a world leader on skills by 2020, can be progressed. UK Central government has welcomed the review and accepted the proposal for a new Commission for Employment and Skills. The formal UK Government response will be published in summer 2007, following the Comprehensive Spending Review.

4.17 In Wales, the Welsh Assembly Government has welcomed the report and several initiatives are cited within the report e.g. all age careers advice services that link advice to actual employment opportunities. Much of the activity recommended by Lord Leitch is being progressed using the *Skills and Employment Action Plan 2005*. The UK wide network of Sector Skills Councils will play a valuable role here in Wales, in delivering on this agenda, and utilising the National Vocational Qualifications system, which delivers competence based qualifications that are based on occupational standards designed by employers.

## **National**

4.18 *Wales: A Better Country* sets out the Welsh Assembly Government's strategic vision for the promotion of a diverse, competitive, high value-added economy with high quality skills and education; and action to promote social justice by providing people and their communities with the means to help themselves, and break out of the poverty trap.

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<sup>134</sup> 2006 Community Action Programme on social inclusion – Thematic Study on Policy Measures concerning disadvantaged youth:

[http://ec.europa.eu/employment\\_social/publications/2006/kear06001\\_en.pdf](http://ec.europa.eu/employment_social/publications/2006/kear06001_en.pdf)

<sup>135</sup> UK Government Skills White Paper, *Getting on in business, getting on at work*, 2005,

<http://www.dfes.gov.uk/publications/skillsgettingon/>

<sup>136</sup> UK Government *Every Child Matters* Strategy 2003,

<http://www.everychildmatters.gov.uk/publications/>

<sup>137</sup> UK government *Youth Matters Green Paper*, 2005, <http://www.dfes.gov.uk/publications/youth/>

<sup>138</sup> The Leitch Review, [http://www.hm-](http://www.hm-treasury.gov.uk/independent_reviews/leitch_review/review_leitch_index.cfm)

[treasury.gov.uk/independent\\_reviews/leitch\\_review/review\\_leitch\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/leitch_review/review_leitch_index.cfm)

4.19 *Wales: A Vibrant Economy* – the national economic strategy has a vision of a vibrant Welsh economy focused on delivering strong and sustainable economic growth, creating opportunities for all, and helping to raise earnings for those in work.

4.20 Education and skills play a critical part in delivery of this vision and are developed in more detail in specific policy strategies for education and skills. These aims are developed in more detail in specific policy strategies for education, skills and the economy: *The Learning Country 2: Vision into Action*, the *Skills and Employment Action Plan for Wales 2005* and *Words Talk, Numbers Count* which highlight action for adults and younger people with a new emphasis on broadening the 14-19 curriculum to help tackle potential economic inactivity, low skills and deprivation. Future action to support the development of skill levels within Wales will be considered as part of the Welsh Assembly Government's response to the Leitch Review 2006 on UK skill levels, and in the context of *SEAP 2005*.

4.21 *The Learning Country 2: Vision into Action* sets out the Welsh Assembly Government's aims for making the school curriculum more skills-focused; raising the wider points score at Level 2; improving GCSE pass rates at grades A\*–C; enriching the vocational learning of children and young people; improving the attainment of BME pupils; improving standards in further education and work-based learning. It sets out a comprehensive agenda for tackling these and other challenges which link to the economic objectives within *Wales: A Vibrant Economy*.

4.22 The *14-19 Learning Pathways* agenda aims to lift the proportion of young people with Level 2 qualifications at 16, and Level 3 qualifications at 19, while reducing the number of young people leaving full time education without qualifications. Reducing levels of 16-18 year olds who are NEET is a key target, as is increasing the number of young people aged 16 progressing to further learning, full time or work based learning. Closely related to this is the 11-25 year olds *Extending Entitlement* policy which aims to provide young people with the advice support and confidence needed for them to make informed decisions and engage in society. The priority will also look to build on the work being undertaken in the Review of the National Curriculum in Wales and the stronger emphasis to be placed on skills for 7-14 year olds' education.

4.23 *Reaching Higher*<sup>139</sup>, the Welsh Assembly Government's strategy for higher education and learning in Wales, also provides an important driver for creating the vision of Wales as a learning country.

4.24 Linking with the aims and objectives of *Reaching Higher*, the Welsh Assembly Government launched "*A Science Policy for Wales*<sup>140</sup>" in November 2006. This policy provides a framework for promoting scientific and technical research and the

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<sup>139</sup> Welsh Assembly Government's *Reaching Higher – A Strategy for the Higher Education Sector in Wales*: <http://new.wales.gov.uk/docrepos/40382/4038232/4038211/40382121/reachinghigher-e.pdf?lang=en>

<sup>140</sup> Welsh Assembly Government's "A Science Policy for Wales 2006", <http://new.wales.gov.uk/about/departments/dein/publications/science-policy-2006?lang=en>

application of such research to business problems, products and services. It focuses on three areas – aspects of Health and Life Sciences, technologies for a low carbon economy and activities which support sustained economic and social renewal. It acknowledges the need for more young people to study science, technology, engineering and maths (STEM) in Wales, at GCSE / Level 2, and higher academic or vocational levels.

4.25 The importance of improving the awareness and skills of sustainable development are identified in the Welsh Assembly Government's *Education for Sustainable Development and Global Citizenship Strategy*<sup>141</sup>. It aims to integrate sustainable development into education and learning programmes of children, young people, and adults. Also outcomes identified in the *Environment Strategy for Wales*<sup>142</sup> relate to individuals understanding and taking responsibility for their environmental impact. These outcomes and aims will be promoted by integrating the Convergence Environmental Sustainability objectives into supporting training and education programmes.

4.26 Alongside strategies which will steer the cross cutting theme of Environmental Sustainability, the application of the cross cutting theme for Equal Opportunities will be steered by the legal requirement of section 120 of the Govt of Wales Act 1998, to embed equality of opportunity, and the Welsh Assembly Government strategy - Mainstreaming Equality.

### **Priority Level Indicators**

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

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

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<sup>141</sup> Welsh Assembly Government, Education for Sustainable Development and Global Citizenship, [http://new.wales.gov.uk/topics/educationandskills/policy\\_strategy\\_and\\_planning/458586/?lang=en](http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/458586/?lang=en)

<sup>142</sup> Welsh Assembly Government Environment Strategy, 2006, <http://new.wales.gov.uk/about/strategy/strategypubs/935833/?lang=en>

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

4.30 Targets are also presented in the table below. All targets are to be achieved by 2015. Impacts indicators which need to be assessed via evaluation will be reported upon annually from 2009 onwards. These are identified in Annex K – Indicators.

**Table 28: Priority 1 Indicators and Targets**

Indicator	Target (2015)
<b>Outputs</b>	
Total participants (11-19 year olds)	35,000
Female Participants	40%
<i>Key intervention groups:</i>	
<i>11-13 year old participants</i>	30%
<i>14-19 year old participants</i>	70%
<i>NEET participants</i>	25%
<i>Female participants receiving training in Maths, Science, Engineering and Technology</i>	3%
Employers collaborating with education/training providers	500
Systems developed	-
Projects using soft outcome measurement systems	50%
Projects integrating sustainable development into awareness raising, education and training programmes	75%
<b>Results</b>	
Participants gaining qualifications – 11-19 year olds	10,500
<i>Key intervention groups:</i>	
<i>14-19 year old participants</i>	-
<i>NEET participants</i>	-
<i>Female participants</i>	-
<i>Female participants gaining qualifications in Maths, Science, Engineering and Technology</i>	3%
<i>Qualification levels to be gained:</i>	
<i>basic skills</i>	60%
<i>at Level 2</i>	25%
<i>at Level 3</i>	15%

Indicator	Target (2015)
Participants entering further learning – 16-19 year olds <i>Key intervention groups:</i>	21,000
<i>NEET participants</i>	-
<i>Female participants</i>	-
Participants gaining other positive outcomes <sup>143</sup> – 11-19 year olds <i>Key intervention groups:</i>	31,500
<i>11-13 year old participants</i>	-
<i>14-19 year old participants</i>	-
<i>NEET participants</i>	-
<i>Female participants</i>	-
Participants entering employment – 16-19 year olds <i>Key intervention groups:</i>	-
<i>NEET participants</i>	-
<i>Female participants</i>	-
<b>Impacts</b>	
Participants in employment, education or training at 12 months	-
Participants gaining part qualifications	-

### *Operational Strategy*

4.31 The priority will be delivered through two themes:

#### *Theme 1: Tackling Under Achievement*

4.32 This theme will focus on improving the educational outcomes of young people at risk of underachieving. It will achieve this by:

- combating disaffection and reducing the risk of early school leaving; and
- meeting the specific needs of disadvantaged groups, including those children classed NEET, young people with special educational needs, young offenders and young people from BME communities.

<sup>143</sup> Positive outcomes are intermediary outcomes, including: completing courses; entering voluntary work; and attending a job interview.

*Indicative activities:*

- Enhancing access to the alternative curriculum by providing broader vocational opportunities, and extending work placements and work experience opportunities;
- Enhancing Personal and Social Education (PSE) programmes to raise the confidence and skills of young people by extending access to the personal support available to disadvantaged young people, including support through mentoring programmes, advocacy advice and outreach support to young people in local communities;
- Providing initiatives to support independent and sustainable learning and increase participation skills and experiences e.g. using arts, sports, volunteering and community work;
- Piloting innovative approaches to young people from specific groups, including young offenders, young people from BME communities, young people with disabilities or classed with special educational needs, or care leavers, by delivering interventions which address and remove the barriers to learning, help create independence, and provide individual mentoring and advocacy advice;
- Undertaking research into ways of identifying young people at risk of disaffection, and identifying the barriers and factors contributing to disaffection and disengagement at the key stages of transition into and throughout secondary education, at ages 11 and 16;
- Supporting the development of practitioners including teachers, careers guidance professionals, youth workers and community youth leaders, in order to better engage disadvantaged young people;
- Activities jointly undertaken by social partners aimed at promoting equality of access to new methods of learning and new recognised qualifications; and
- Activities aimed at improving environmental awareness and management amongst young people through learning and training opportunities.

4.33 We expect that this theme will absorb around 70% of the resources for this priority.

*Theme 2: Raising Skills and Aspirations*

4.34 This theme will focus on supporting young people to make a successful transition into employment by:-

- providing enhanced information and guidance on employment, vocational training and higher education to disadvantaged young people;
- providing access to a broader and innovative range of learning options to extend and strengthen their learning experiences and skills; and
- promoting and supporting acquisition of higher level skills amongst disadvantaged young people.

*Indicative activities:*

- better support to help young people develop their learning skills and motivation to facilitate entry to more testing learning routes and higher level qualifications, and make more effective decisions in their learning careers;
- providing access to a wide range of work experience opportunities including volunteering trails, work placement trials and participation in a wide range of community based activities;
- providing access to enhanced careers advice and in-depth careers information and guidance;
- providing access to a wider choice of learning and future career related programmes, including the provision of community-based learning opportunities outside the formal and traditional curriculum;
- working with the business and voluntary sectors to deliver innovative activities and events encouraging young people, especially young women, to take Science, Technology, Engineering and Mathematics (STEM) subjects;
- measures to promote and support links between schools and businesses to promote different career paths and raise awareness of different economic sectors and skill sets;
- targeted measures in schools and communities to raise awareness of the benefits of higher education, including the use of mentors as positive role models and opportunities to participate in information events delivered by HE institutions;
- support for positive action, with businesses and employers in particular, which challenges traditional assumptions and stereotypes of an individual's limitations;
- initiatives which promote improved understanding of sustainable development, contributing to improved life skills; and
- action to support the restructuring of the learning network providing better more equal access to vocational, work-based and work-related education and academic provision for young people.

4.35 We expect that this theme will absorb around 30% of the resources for this priority.

### **Social Partners**

4.36 EU Regulation [1081/2006] Article 5(3) provides for an appropriate amount of the ESF to be allocated to supporting activities jointly undertaken by the social partners.

4.37 Under this Priority, around 0.5% of the priority allocation will be set aside to support action with social partners. Activities to be funded will include those that support a closer integration between employer demands and vocational and basic skills curricula and will include:

- Industry placements for teachers or education placements for businesses,
- Extending supported work experience placements;
- Development of community participation, volunteering and other participation activities to develop wider learning and life skills.

### *Added Value*

4.38 ESF resources will add value to domestic budgets, which provide for universal access to education for young people, by testing and supporting innovative approaches to tackling underachievement, increasing the co-ordination between interventions, and raising skills and aspirations. It will not fund any mainstream education provision.

4.39 The Priority will add value by funding interventions and activity which will include development of the “alternative” curriculum, especially supporting vocational and community learning, extending Personal & Social Education, assisting the development of participation and citizenship skills by providing opportunities for volunteering and community engagement etc, strengthening outreach support to disadvantaged young people in local communities, improving the range and quality of support for very vulnerable young people e.g. young offenders or specific groups such as disabled or BME, and developing a range of initiatives which help underpin continued engagement in learning and training.

### *Beneficiaries*

4.40 These may include public and private sector bodies e.g. Welsh Assembly Government Departments, Local Authorities, the voluntary sector and community groups, training organisations, schools, Further and Higher Education Institutions and careers guidance organisations.

### *Flexibility Facility*

4.41 EU Regulation [1083/2006], Article 34(2), provides for the ESF to fund interventions which fall within the scope of the ERDF (and vice versa), provided such interventions are necessary for the successful implementation of an operation and have a direct link to that operation. In order to promote coherent implementation of actions under this Priority, a maximum of 10% of the EU contribution to the Priority can be used to fund such complementary investments. Justification for using this flexibility will be provided at operation/project level and the resources used in this manner will be separately identified in project applications and expenditure declared.

4.42 Examples of where cross-financing under this Priority might promote coherent implementation include:

- Small scale capital costs relating to equipment to improve the delivery of ESF supported learning provision and equality of access to learning;
- The adaptation or the upgrading of existing facilities necessary to support the successful implementation of ESF funded actions;
- Small scale capital costs associated with the development of the vocational learning curriculum for young people.

### *Global Grants*

4.43 We do not envisage the use of Global Grants as defined by EU Regulation [1083/2006], Article 42.

## **ESF Priority 2: Increasing Employment and Tackling Economic Inactivity**

### *Objective*

4.44 To raise levels of employment and economic activity, and secure higher participation in the labour market.

### **Target Groups**

4.45 This priority will focus primarily on the economically inactive, with the aim of helping them into sustained employment<sup>144</sup>. Interventions will also be available to the unemployed who face particular disadvantage and need support beyond that available under mainstream provision, and those under formal notice of redundancy. It will also help people with work-limiting health conditions and disabilities to remain in work where they may be at risk of becoming unemployed or economically inactive. Key target groups of both economically inactive and unemployed will be people in receipt of incapacity benefits, young people who are NEET, people from BME communities, women returnees, older people wanting to re-enter employment, lone parents, and other a range of other smaller groups facing particular disadvantages in the labour market, and individuals under formal notice of redundancy.

### **Rationale**

4.46 Analysis of the components that contribute to overall economic performance show that the key factor responsible for the overall gap in GVA per head in Wales, compared to the UK average, is adverse labour market conditions e.g. employment to working age. This means that fewer working age adults are in employment in West Wales and the Valleys than in the rest of Wales and the UK and the main reason for this is that West Wales and the Valleys has a large proportion of economically inactive individuals, rather than unemployment. Action is needed to help these individuals into sustainable employment and also prevent others drifting into long-term economic inactivity by increasing their ability to manage work-limiting health conditions. To underpin economic growth, more people must be attracted into employment and be given the support to achieve long-term integration in the labour market.

4.47 Increasing employment will not only impact positively on the economy of West Wales and the Valleys, it will also reduce poverty and ill-health, and combat social exclusion. The best way to help individuals, families and communities break out of the cycle of poverty and deprivation is through employment. Increasing employment can also reduce inter-generational cycles of inactivity and low achievement by raising educational horizons and attainment.

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<sup>144</sup> In this context sustained employment means remaining in employment for at least 12 months. Evidence suggests that people who stay in work for 12 months after a period of inactivity are significantly more likely to remain in work.

4.48 The nature of economic inactivity is considered carefully in the analysis and differences between groups will be taken into account when designing interventions. Certain groups, including the low skilled, lone parents, BME communities, people with work-limiting health conditions, disabled people and migrant workers will need tailored support to enter or re-enter the labour market. These may include assistance with management of work-limiting health conditions and disabilities, caring responsibilities (especially child-caring responsibilities for many women), transport problems, a lack of recent, relevant experience of the labour market. Evidence suggests that personal adviser-led interventions combined with appropriate mentoring and work experience and selective financial incentives works best.

4.49 Financial and cultural dependency on inactive benefits combined with a perceived loss of the financial safety created by the current benefits system can deter many individuals from seeking work. Peer pressure within local communities and within certain age groups leads to a reliance on a lifetime of benefit and has the potential to develop into a culture of worklessness across families, generations and communities. Mainstream interventions, for example UK Government's New Deals and *Pathways to Work*' pilots, have tended to target the flow of individuals into long-term unemployment and inactivity. Action to help those already claiming benefit, especially the stock of long-term economically inactive, has been more limited. Recent developments under the New Deals and Pathways to Work provision, has extended support to those individuals who have been on benefit for a couple of years but despite this, additional concerted action is needed to bring the long term inactive back into the labour market. Future activity would build on the success of projects such as *Want2Work*, developed in partnership between the Welsh Assembly Government and Jobcentre Plus Wales in the 2000-2006 programmes by extend the reach of mainstream programmes to the more disadvantaged client groups.

4.50 Ongoing support to achieve long-term employment will be crucial. Action is not only needed to help more people into work but also to support their retention and stop the flow back into economic inactivity. There is also a need to provide immediate support to workers under formal notice of redundancy so that they are given every opportunity to secure alternative employment, and avoid slipping into long term unemployment or inactivity. Initiatives such as REACT have made a positive contribution to assimilating individuals into employment.

4.51 Once an individual has been in work for 12 months, their likelihood of remaining in work long-term is very significantly increased. Providing sustained post recruitment support (including financial) during these first few weeks and months is an important part of a single integrated intervention. At the same time, there are often few incentives beyond the regulatory ones, for employers to properly manage work-limiting health conditions of their employees. The major causes of sickness absence are mental health problems, and musculo-skeletal disorders. Action aimed

at improving health at work, preventing people becoming ill at work, and providing early interventions to help retain people in employment are key to preventing the flow into long-term unemployment and economic inactivity. Early intervention and effective use of occupational health services for employees who are absent for long periods can benefit both the individual and the employer by getting employees back to health and back to work more quickly<sup>145</sup>. Effective use of rehabilitation services can also reduce the chances of employees becoming ill in future. Forward-thinking organisations recognise that a holistic approach to managing the health and well being of their employees is as important to the economic success of their businesses as good financial management.

4.52 The problems involved in combining work with family life and other responsibilities can lead to under-employment or under-utilisation of skills. This is a particular issue for women, who still tend to take on most of the caring responsibilities at home, especially in relation to childcare. While there have been rising levels of employment among women, these are mainly among older women who are less likely to have child-care responsibilities. Women often find it difficult to access training programmes and this too, limits their economic potential.

4.53 In addition to these economic benefits to families and the region as a whole, evaluations in the UK and elsewhere have shown the benefits of high quality early years care for disadvantaged children in terms of lifetime outcomes including education, health and employment. High quality childcare can therefore contribute directly to the creation of a higher level of skills in the economy, as well as greater social cohesion.

4.54 Social partners have a key role to play in helping to support sustainable integration into employment for those who are significantly distanced or disadvantaged in the labour market. The programme will support measures to build the capacity of social partners, through training and networking to allow for a stronger role at a local level and greater potential for more collaborative working with other key partners. The links between ill health, low skills and unemployment and economic inactivity are now well established. Programmes aimed at working with employers to develop their skills, improve health at work, preventing people becoming ill at work and providing early interventions that help to retain people in employment are key to preventing the flow into long-term unemployment and economic inactivity.

4.55 There are also important links to be made to environmental sustainability. The region has increasing employment opportunities in sectors dependent on a good natural environment and healthy lifestyles, such as tourism and sport. Increasing awareness of environmental issues and considerations, and the promotion of healthier lifestyles, can help to prepare inactive people for employment in these growing sectors, and inform their understanding of how they can support better environmental practices.

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<sup>145</sup> CBI survey report, 'Absence Minded: Absence and labour turnover', 2006.

## Policy Context

### European

4.56 This priority will address the two employment recommendations to the UK in 2004 as part of the European Employment Strategy. These call for action to:

- ensure that active labour market policies and benefit systems prevent de-skilling and promote equality in work, by improving incentives to work and supporting sustainable integration and progress in the labour market of inactive and unemployed people;
- address the rising number of people claiming sickness or disability benefits, and give particular attention to lone parents and people living in deprived areas.

4.57 The priority also reflects the following strategies and principles that influence policy design and delivery in Wales:

- the Maastricht Communiqué on strengthening European co-operation in Vocational Education and Training, in which Education Ministers called for the Structural Funds to support actions that update the skills of an ageing population<sup>146</sup>.
- activities in the field of occupational health and promoting healthier lifestyles respond to the aims set out in the *Health and Consumer Protection Strategy 2005*<sup>147</sup>, which emphasises the contribution health makes to productivity, labour participation and economic growth, particularly in the context of an ageing labour force;
- where appropriate, projects supported via the second Community Action programme in the field of health (2007–2013)<sup>148</sup> should seek synergies with those undertaken within this priority, particularly as the health action programme has a strong focus on ‘promoting health for prosperity and solidarity’;
- the Green Paper ‘Promoting healthy diets and physical activity: a European dimension for the prevention of overweight, obesity and chronic diseases’<sup>149</sup>, which followed on from the strategy (2005) highlights the

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<sup>146</sup> Maastricht Communiqué on the Future Priorities of Enhanced European Cooperation in Vocational Education and Training (VET) 14 December 2004:

[http://www.bologna-bergen2005.no/Docs/00-Main\\_doc/041214\\_Maastricht\\_com\\_en.pdf](http://www.bologna-bergen2005.no/Docs/00-Main_doc/041214_Maastricht_com_en.pdf)

<sup>147</sup> Health and Consumer Protection Strategy – Healthier, safer, more confident citizens: a Health and Consumer protection Strategy COM (2005) 115:

[http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005\\_0115en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005_0115en01.pdf)

<sup>148</sup> Text of Amended Commission proposal establishing a second Programme of Community action in the field of Health and consumer protection (2007–2013) COM (2006) 234:

[http://ec.europa.eu/health/ph\\_overview/Documents/com\\_20060524\\_en.pdf](http://ec.europa.eu/health/ph_overview/Documents/com_20060524_en.pdf)

<sup>149</sup> Green Paper on ‘Promoting healthy diets and physical activity: a European dimension for the prevention of overweight, obesity and chronic diseases’ COM (2005) 637:

- financial costs of poor health and notes that the workplace setting has a strong potential to promote healthier lifestyles; and
- the strong emphasis on promoting sustainable development in the Lisbon and Gothenburg agenda, and the need to improve awareness and skills that will be necessary to respond to environmental challenges now and in the future.

## UK

4.58 This priority and its themes will seek to address the objectives and aims of the following UK level policies as well as those at EU and Welsh national level. The UK Government, through the Department for Work and Pensions (DWP) retains overall responsibility for the development of employment policy, and supports the delivery of a range of active labour market measures. Key programmes delivered by Job Centre Plus include the New Deal which, over the last five years has extended support beyond the registered unemployed to include those classed as economically inactive, and the '*Pathways to Work*' initiative that targets supports towards people claiming Incapacity Benefit. Job Centre Plus is also responsible for providing the Rapid Response Service, which aims to help people affected by significant redundancies to make successful transitions into quality jobs.

4.59 From 1 October 2006, the new laws to protect workers from age discrimination, the Employment Equality (Age) Regulations make it illegal for employers to discriminate against employees, trainees or job seekers because of their age and ensure that all workers, regardless of age, have the same rights in terms of training and promotion.

4.60 The programme will need to take account of future developments under DWP's Green Paper: "*A New Deal for Welfare: Empowering people to Work*"<sup>150</sup>, which sets out the UK Government's plans for longer term benefit reform, and action to improve occupational health provision.

4.61 As well as welfare systems and their proposed changes impacting on this priority, the UK *Health, Work and Well-Being Strategy*<sup>151</sup> produced by the Department of Health, DWP and Health and Safety Executive, aims to bring together all those with a role to play in relation to the health of working age people. The strategy focuses on reducing the flow of people out of work and into unemployment due to health issues and will direct the focus of this priority in tackling work limiting health conditions and assisting work related health interventions.

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[http://ec.europa.eu/health/ph\\_determinants/life\\_style/nutrition/documents/nutrition\\_gp\\_en.pdf](http://ec.europa.eu/health/ph_determinants/life_style/nutrition/documents/nutrition_gp_en.pdf)

<sup>150</sup> DWP Green Paper: A New Deal for Welfare: Empowering people to Work:

[http://www.dwp.gov.uk/welfarereform/docs/A\\_new\\_deal\\_for\\_welfare-Empowering\\_people\\_to\\_work-Full\\_Document.pdf](http://www.dwp.gov.uk/welfarereform/docs/A_new_deal_for_welfare-Empowering_people_to_work-Full_Document.pdf)

<sup>151</sup> DWP, HSE & Dept of Health, "Health, Work and Well Being: Caring for our future" Strategy:

[http://www.dwp.gov.uk/publications/dwp/2005/health\\_and\\_wellbeing.pdf](http://www.dwp.gov.uk/publications/dwp/2005/health_and_wellbeing.pdf)

## **National**

4.62 The overarching Welsh policy agenda is set through the Welsh Assembly Government's strategic document *Wales: A Better Country* which identifies helping more people into jobs as one of its four key priorities. This recognises that people and their communities need to be provided with the economic tools, which include better access to better quality education and training, jobs and employment opportunities, to enable them to break out of the poverty trap and a lifetime of deprivation.

4.63 The approach is further developed by the Welsh strategic economic development agenda set out in *Wales: A Vibrant Economy*, which focuses attention on delivering strong and sustainable economic growth and opportunities for all. This strategy is complemented and supported by the *Skills and Employment Action Plan 2005*, which takes forward the Wales lifelong learning agenda and demonstrates Wales' commitment to achieving the objectives of the European Employment Strategy.

4.64 This priority's policy objectives are further developed in *The Learning Country 2: Vision into Action*, which sets out an ambitious agenda for education and training in Wales.

4.65 Given the cross-cutting nature of the range of barriers facing individuals in accessing and remaining in sustainable employment, there will also be strong links to a number of other key Welsh Assembly Government strategies, namely the *Wales Strategy for Older People*<sup>152</sup>; *Childcare is for Children*<sup>153</sup>, *Designed for Life: A World Class Health Service for Wales*<sup>154</sup>, *Health Challenge Wales*<sup>155</sup>, *Well Being in Wales*, and *Better Health, Better Wales*. Action will also be set in a spatial context through use of the *Wales Spatial Plan*.

4.66 The importance of improving awareness and skills of sustainable development issues are identified in the Welsh Assembly Government's *Education for Sustainable Development and Global Citizenship Strategy*<sup>156</sup>. It aims to integrate sustainable development into education and learning programmes for children, young people and adults. Also outcomes identified in the *Environment Strategy for Wales* relate to individuals understanding and taking responsibility for

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<sup>152</sup> Welsh Assembly Government's *Older Peoples Strategy*:

<http://new.wales.gov.uk/docrepos/40382/40382313/4038211/strategie?lang=en>

<sup>153</sup> Welsh Assembly Government's *Childcare is for Children*:

<http://www.learning.wales.gov.uk/pdfs/childcare-strategy-e.pdf>

<sup>154</sup> *Designed for Life Health Strategy*

<http://new.wales.gov.uk/topics/health/publications/createdforlife/?lang=en>

<sup>155</sup> Welsh Assembly Government's *Health Challenge Wales*:

<http://new.wales.gov.uk/topics/health/improvement/hcw/?lang=en>

<sup>156</sup> Welsh Assembly Government strategy for "Education for Sustainable Development and Global Citizenship in Wales",

[http://new.wales.gov.uk/topics/educationandskills/policy\\_strategy\\_and\\_planning/458586/?lang=en](http://new.wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/458586/?lang=en)

their environmental impact and changes in behaviour that help reduce negative impacts. These aims and outcomes will be promoted by integrating the Convergence Environmental sustainability objectives into supported training and education programmes.

4.67 Alongside strategies which will steer the cross cutting theme of Environmental Sustainability, the application of the cross cutting theme for Equal Opportunities will be steered by the legal requirement of section 120 of the Govt of Wales Act 1998, to embed equality of opportunity, and the Welsh Assembly Government strategy - Mainstreaming Equality.

#### *Priority Level Indicators*

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

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

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

4.71 Targets are also presented in the table below. All targets are to be achieved by 2015. Impacts indicators which need to be assessed via evaluation will be reported upon annually from 2009 onwards. These are identified in Annex K – Indicators.

**Table 29: Priority 2 Indicators and Targets**

Indicator	Target (2015)
<b>Outputs</b>	
Total participants	135,000
Female participants	51%
Participants – Economically inactive and unemployed	110,000
<i>Key intervention groups:</i>	
<i>Economically inactive</i>	50%
<i>Unemployed<sup>157</sup></i>	50%
<i>NEET participants</i>	-
<i>Female participants</i>	52%
<i>BME participants</i>	-
<i>Older participants</i>	64%
<i>Participants with work-limiting health condition or disability</i>	55%
<i>Lone parents</i>	8%
Participants – Employed	25,000
<i>Key intervention groups:</i>	
<i>Participants with work-limiting health condition or disability</i>	100%
<i>Participants receiving individualized assistance with work- limiting health conditions or disabilities</i>	4%
<i>Participants receiving general assistance with work- limiting health conditions or disabilities</i>	96%
<i>Female participants</i>	47%
<i>BME participants</i>	-
<i>Older participants</i>	27%
Employers assisted or financially supported	5,000
Participants who receive support with caring responsibilities	-
Projects using soft outcome measurement systems	50%
Projects integrating sustainable development into awareness raising, education and training programmes	75%

<sup>157</sup> Unemployed intervention group includes individuals under formal notice of redundancy

Indicator	Target (2015)
<b>Results</b>	
Participants gaining qualifications – Economically inactive and unemployed	31,500
<i>Key intervention groups:</i>	
<i>Economically inactive</i>	-
<i>Unemployed</i>	-
<i>NEET participants</i>	-
<i>Female participants</i>	-
<i>BME participants</i>	-
<i>Older participants</i>	-
<i>Participants with work-limiting health condition or disability</i>	-
<i>Lone parent</i>	-
 <i>Qualification levels to be gained:</i>	
<i>Basic skills</i>	55%
<i>at Level 2</i>	30%
<i>at Level 3</i>	10%
<i>Level 4 and above</i>	5%
Participants entering employment – Economically inactive and unemployed	27,500
<i>Key intervention groups:</i>	
<i>Economically inactive</i>	-
<i>Unemployed</i>	-
<i>NEET participants</i>	-
<i>Female participants</i>	-
<i>BME participants</i>	-
<i>Older participants</i>	-
<i>Participants with work-limiting health condition or disability</i>	-
<i>Lone parents</i>	-
Participants entering further learning – Economically inactive and unemployed	36,700
<i>Key intervention groups:</i>	
Economically inactive	-
Unemployed	-
NEET participants	-
Female participants	-
BME participants	-
Older participants	-
Participants with work-limiting health condition or disability	-
Lone parents	-

Indicator	Target (2015)
Participants gaining other positive outcomes <sup>158</sup> – Economically inactive and unemployed	36,700
<i>Key intervention groups:</i>	
<i>Economically inactive</i>	-
<i>Unemployed</i>	-
<i>NEET participants</i>	-
<i>Female participants</i>	-
<i>BME participants</i>	-
<i>Older participants</i>	-
<i>Participants with work-limiting health condition or disability</i>	-
<i>Lone parents</i>	-
Workplace health programmes	200
Employers adopting or improving equality and diversity strategies and monitoring systems	50%
<b>Impacts</b>	
Participants in employment at 12 months	-
<i>Key intervention groups:</i>	
<i>Economically inactive</i>	-
<i>Unemployed</i>	-
<i>Employed<sup>159</sup></i>	-
<i>Female participants</i>	-
<i>NEET participants</i>	-
<i>BME participants</i>	-
<i>Older participants</i>	-
<i>Participants with work-limiting health condition or disability</i>	-
<i>Lone parents</i>	-
Participants gaining part qualifications	-

<sup>158</sup> Positive outcomes are intermediary outcomes, including: completing courses; entering voluntary work; and attending a job interview.

<sup>159</sup> This refers to employed participants accessing Theme 2 support to enable them to remain in employment.

## *Operational Strategy*

### Theme 1 – Helping People into Sustainable Employment

4.72 This theme aims to increase employment and tackle economic inactivity by bringing more people into employment. This will be achieved by:

- implementing active labour market policies and supporting people to overcome a wide range of barriers to sustainable employment;
- helping to address specific barriers faced by disadvantaged groups.

#### *Indicative Activities*

- active labour market measures, including individual adviser based Job-search support, careers advice, other advice and guidance, information on learning opportunities, financial incentives, work experience and work trial placements, including voluntary experience and placements;
- support for acquiring work-relevant skills necessary to take a step into employment or self-employment as a routeway out of unemployment or inactivity;
- programmes offering support back to work for those made redundant, including those under formal redundancy notification;
- provision of specialist outreach engagement and support for disadvantaged people, including BME people;
- enhancing access to affordable and appropriate support for people with caring responsibilities, especially childcare;
- development of innovative approaches to help overcome transport barriers, including support for home working as well as flexible transport solutions;
- development and delivery of employer engagement strategies, including interventions to encourage them to make work experience places available;
- motivation incentives and support for employers to employ older individuals;
- activities to support more collaborative work between employment and health sectors, including work with GPs and other primary care providers;
- provision of advice and guidance on managing work-limiting health conditions in employment;
- support to previously long term inactive entrants to employment, and their employers, with induction and retention initiatives, to prevent “revolving door” employment; and
- measures which challenge traditional employment roles for both men and women and assist both to take up employment in non-traditional areas, especially where there are skills shortages.

4.73 We expect that this theme will absorb around 92% of the resources for this priority.

## Theme 2 – Helping People to Remain in Work

4.74 This theme will focus on increasing employment by developing co-ordinated action to reduce the risk of people moving out of work into unemployment and long-term economic inactivity as a result of having, or developing a work limiting health condition. This will be achieved by helping employers retain people in employment and working with those at immediate risk of unemployment.

### *Indicative Activities*

- development and delivery of workplace health programmes supporting people to manage work-limiting health problems at work, especially when returning to work following an absence due to illness, to help avoid work-related ill-health, and improve the general state of their health; and
- provision of advice and guidance on managing health conditions for employers, and for individuals with work-limiting physical and mental health conditions and disabilities.

4.75 We expect that this theme will absorb around 8% of the resources for this priority.

### **Social Partners**

4.76 EU Regulation 1081/2006 Article 5 (3), provides for an appropriate amount of the ESF to be allocated to supporting activities jointly undertaken by the social partners.

4.77 Under this Priority, around 0.5% of the priority allocation will be set aside to support action with social partners. Activities to be funded will include those that support engagement between employers and voluntary and community groups to ensure the unemployed and economically inactive are able to make progression to sustainable employment. Example activities will include:

- partnership arrangements with employers to provide work experience and or voluntary placements;
- support for employers in helping long-term unemployed and economically inactive remain in work;
- mentoring and support to individuals throughout the intervention and initial entry into work.

### **Added Value**

4.78 This Priority will focus on adding value to UK Government employment programmes by extending the range of provision available through the New Deals and Pathways to Work to those furthest away from the labour market and least able

to access the activities and work-related interventions delivered under such programmes.

4.79 Interventions and support available through this programme will aim to bring the long-term inactive closer to the labour market and provide a mechanism for overcoming a more entrenched range of individual barriers to employment. It will do this by increasing the range of qualifications, interventions, and outcomes, and increasing beneficiary engagement with the mainstream programmes, and sustainability whilst participating on programmes.

4.80 The programme will build on rather than replicate action already undertaken through the UK Government programmes. It will extend outreach activity into local communities, eg - working through a range of local community and voluntary groups, to engage with more disadvantaged groups; extend the scale, depth and length of interventions for participants, eg including more enhanced interventions on managing work limiting health conditions; develop new innovative approaches to gaining and enhancing employability skills and, as part of a more planned routeway into employment, deliver more extensive opportunities for volunteering and participation on work placement trials and work experience.

4.81 Increased focus will also be given to addressing barriers around equal opportunities and addressing post recruitment issues faced by the long-term unemployed/ economically inactive entering employment. Some of these participants will be entering work for the first time and the cost benefit of getting them into work will be lost without the right support and aftercare, in the form of advice, guidance and mentoring, for both the employee and employer.

### *Beneficiaries*

4.82 These may include Welsh Assembly Government Departments, Local Authorities, public employment services, voluntary sector and community organisations, training organisations, Higher and Further Education Institutions, private sector organisations, social enterprises and social partners, and primary healthcare sector organisations.

### *Flexibility*

4.83 EU Regulation 1083/2006, Article 34 (2), provides for the ESF to fund interventions which fall within the scope of the ERDF (and vice versa), provided such interventions are necessary for the successful implementation of an operation and have a direct link to that operation. In order to promote coherent implementation of actions under this Priority, a maximum of 10% of the EU contribution to the Priority can be used to fund such complementary investments. Justification for using this

flexibility will be provided at operation/project level and the resources used in this manner will be separately identified in project applications and expenditure declared.

4.84 Examples of where cross-financing under this Priority might promote coherent implementation include:

- Small scale capital costs for upgrading facilities directly related to ESF interventions to assist people into work;
- Small scale capital costs for pilot or flagship interventions directly related to schemes to keep people in work.

#### *Global Grants*

4.85 We do not envisage the use of Global Grants as defined by EU Regulation [1083/2006], Article 42.

## ESF Priority 3: Improving Skills Levels and the Adaptability of the Workforce

### **Objective**

4.86 To support productivity and progression in employment by raising skill levels at the levels of basic skills, intermediate and higher level skills, to tackle skills gaps and shortages, and to promote gender equality in employment.

### **Target Group**

4.87 This priority will focus on raising skill levels of employees and help employers and enterprises adapt to change and to raise productivity. Target groups will be employees of all ages. The main focus of the priority will be to raise skill levels of those with skill levels below level 2, especially employees without basic numeracy, literacy and ICT skills, to bring them to level 2 and above. A second focus will be to increase adaptability and to raise skills at the higher end (up to level 4) to support the knowledge economy by working with higher skilled employees in sectors with identified skilled gaps or shortages or sectors facing structural change. Employees facing specific barriers in accessing training, including women - especially part-time working women, older workers, people with disabilities, and people from BME backgrounds will be targeted with specifically designed interventions.

### **Rationale**

4.88 Investment in learning is more critical than ever in the context of the modern knowledge-based economy. The rate of economic and social change is ever increasing. While many workers are in a position to change their jobs frequently, people with no qualifications, low levels of skills or out-dated skills are at risk of failing to progress in employment or losing their jobs. More detail is provided in the analysis but a key characteristic of the region is the pronounced long tail of low skills compared to other parts of the UK and EU. The Welsh Assembly Government's basic skills strategy *Words Talk, Numbers Count*<sup>160</sup> sets the target for 80% of working-age adults in Wales to have at least Basic / Level 1 literacy skills and 55% should have Basic / Level 1 numeracy skills by 2010 compared to 75% and 47% respectively. Proficiency in reading, writing, oral communication and use of numbers is vital to gaining and keeping employment, and a fundamental building block to intermediate and higher level skills.

4.89 The Programme will look to raise the basic skill levels of the workforce and assist individual progression in employment to Level 2 by supporting interventions that ensure work-based learning provision better meets the needs of employers and individual workers. In addition, targeted demand-led interventions to Levels 3 and 4, will be supported and specific attention will be given to supporting migrant workers to integrate more successfully into the local economy and society. Trades unions also

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<sup>160</sup> Welsh Assembly Government's *Words Talk, Numbers Count*  
<http://new.wales.gov.uk/docrepos/40382/4038232/4038211/40382121/c1505-words-talk-e.pdf?lang=en>

have a key role to play supporting learning for employees to meet their individual aspirations as well as specific employer needs.

4.90 Higher numbers of highly skilled people and graduates in a region enhances the attractiveness of that area for high skill employers. Over and above this, the transfer of ideas and technologies from higher education to firms has a significant impact on the level of research and development and innovation in a region. It is therefore critical to encourage progression to higher level skills for workers and promote graduate study and retention in the region. At a personal level the acquisition of qualifications and basic, intermediate and higher level / graduate skills over a lifetime, is one of the key factors for securing a route into, and maintaining sustained employment.

4.91 Change has become a constant feature of economic life. Globalisation, new technologies and demographic ageing will have increasing consequences for labour markets across Europe, and workers and enterprises need help in adapting to these changes. In addition, higher employment and productivity, competitiveness, better wages and working conditions directly depend on the ability of enterprises and workers to innovate and adapt to change. Restructuring is no longer just change in traditional industries; it covers all sectors. In the context of accelerating technological innovations and globalisation, enterprises and workers need to adapt to new ways of working and be able to respond to shifts in demand for goods and services. Demographic changes will require changes to workforce planning, with an ageing workforce and fewer young recruits.

4.92 Success will depend in large part on developing the skills of the existing workforce, 80% of whom will still be in employment in 10 years time. Skills are crucial to business success, but in some sectors, or for some firms, there is a lack of suitably qualified applicants. Research indicates the sectors experiencing the greatest problems in terms of skills supply are production, construction, wholesale/retail and hotels/catering. The skills most lacking are problem solving, customer handling and other technical and practical skills such as ICT. Employers which do not tackle their skills shortages limit their growth and ability to adapt. Emphasising the positive impact training certain groups of employees, particularly the low skilled, can have on productivity brings benefits both to individuals and the firms.

4.93 Supporting employers and their workforces to increase investment and participation in training, especially of older workers, will improve their adaptability and ability to react constructively to the knowledge economy, and in the case of older workers prolong their working life. Promotion of more flexible work patterns, including part-time work and an extension of home working will give better work-life balance, and provide a more meaningful level of support for a growing number of working adults, especially women, who shoulder most of the caring responsibilities. This Priority will therefore seek to support activities which aim to address Recommendation 3 of the EU's Employment Strategy response of 2004 to improve

access to, and affordability of childcare and care for other dependants, increase access to training for low paid women in part-time work, and take urgent action to tackle the causes of the gender pay gap.

4.94 Action is also needed to tackle barriers faced by individuals in taking up such opportunities, with particular attention needed for disabled people, older workers, BME people, and women. By improving career opportunities, and enhancing the potential for greater progression of individuals within the workforce, a more highly skilled, productive and better paid workforce will develop.

4.95 Despite progress over recent years, there remains significant gender inequality in employment in West Wales and the Valleys, in terms of economic activity, occupations and pay. There is a complex and often highly debated mix of reasons for the current gender pay gap in Wales and while career choice and human capital can be factors, some researchers believe that even once all explanatory factors are taken into account an unexplained gap of around 10% may exist. Women could be making a more significant contribution to tackling the skills shortages in industries such as construction and engineering, and in skilled trades, for example, electricians and plumbers. Combating gender stereotypes within the school setting may also help with the struggle many lesbian, gay and bisexual pupils face in mainstream education<sup>161</sup>.

4.96 In addition, better general environmental awareness and environmental skills will become increasingly important in the face of increasing climate change and to exploit the opportunities presented by our natural environment. This can be achieved by the integration of sustainable development principles into education and training programmes. Skills that improve resource efficiency will help to reduce carbon emissions and also reduce costs thereby improving competitiveness. Specialist skills that are needed include the sustainable management of natural terrestrial and aquatic resources, high standards of environment performance for buildings, environmental management for business and developing the environmental goods and services sector.

### *Policy Context*

#### ***European***

4.97 This priority will address the employment recommendation to the UK in 2004 under the European Employment Strategy by supporting action to:

- implement national and regional skills strategies to provide better incentives for lifelong learning and thereby increase productivity and quality in work; place particular emphasis on improving literacy and

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<sup>161</sup> The Bullying of Sexual Minorities at School: It's nature and long term correlates, Rivers I 2001: [http://www.ukobservatory.com/personal/pers\\_ian.html](http://www.ukobservatory.com/personal/pers_ian.html)

numeracy of the workforce, the participation and achievement of low skilled workers, especially those in poorly paid jobs.

- 'improve access to and affordability of childcare and care for other dependants, increase access to training for low paid women in part-time work and take urgent action to tackle the causes of the gender pay gap'<sup>162</sup>;

4.98 This priority also reflects the following strategies and principles that influence policy design and delivery in Wales:

- improving skills levels is central to the Lisbon agenda, the European Employment Strategy (notably Guidelines 23 and 24), the Integrated Guidelines for Jobs and Growth, Education and Training 2010<sup>163</sup>;
- the Lifelong Learning Programme 2007–2013, which aims to support the acquisition and development of knowledge, qualifications and skills to promote employability and participation in the European labour market<sup>164</sup>;
- the emphasis on targeted actions for older workers is in line with the 2005 Green Paper on Demography<sup>165</sup>;
- a recent study which suggests that while rates of return for investment in education and training are generally high, in excess of 7%, investment in technology skills, as well as in maths and science, has a particularly high rate of return<sup>166</sup>;
- the Lifelong Learning Programme<sup>167</sup>;
- the Bergen Communiqué<sup>168</sup>, adopted by European Ministers responsible for HE, stresses the need to make quality higher education equally accessible to all;
- in line with European Employment Strategy Guidelines 18,19 and 21<sup>169</sup>, action under this theme will encourage the retention of more people in

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<sup>162</sup> Council Recommendation of 14 October 2004 on the implementation of Member States' employment policies: [http://europa.eu/eur-lex/pri/en/oj/dat/2004/l\\_326/l\\_32620041029en00470063.pdf](http://europa.eu/eur-lex/pri/en/oj/dat/2004/l_326/l_32620041029en00470063.pdf)

<sup>163</sup> The latest Joint Implementation Report 2006 of the Council and EU Commission on progress under the Education and Training 2010 programme, emphasises that individuals acquiring and updating their skills throughout their working life, is central to ensuring that Europe becomes a more competitive and dynamic society.

<sup>164</sup> Actions that provide training to improve the skill levels of Welsh adults will help the EU meet its goal of 12% of adults participating in lifelong learning every year. According to the latest EU Commission Staff Working Document – progress towards the Lisbon objectives in education and training, 16/05/2006, to meet the target a further four million adults across the EU need to participate in lifelong learning.

<sup>165</sup> Communication from the Commission Green Paper 'Confronting demographic change, a new solidarity between the generations' COM(2005) 94  
[http://ec.europa.eu/comm/employment\\_social/news/2005/mar/comm2005-94\\_en.pdf](http://ec.europa.eu/comm/employment_social/news/2005/mar/comm2005-94_en.pdf)

<sup>166</sup> Study on the 'Returns to various types of investment in education and training' December 2005  
[http://ec.europa.eu/education/policies/2010/studies/invest05\\_en.pdf](http://ec.europa.eu/education/policies/2010/studies/invest05_en.pdf)

<sup>167</sup> Commission proposal for a new integrated lifelong learning programme COM (2006) 236 adaptation of earlier proposal COM (2004) 474 following 17 May 2006 agreement on Financial Perspective, text still being debated in Institutions and not yet adopted.

<sup>168</sup> The European Higher Education Area – Achieving the Goals Communiqué of the Conference of European Ministers Responsible for Higher Education, Bergen, 19–20 May 2005:  
[http://www.bologna-bergen2005.no/Docs/00-Main\\_doc/050520\\_Bergen\\_Communique.pdf](http://www.bologna-bergen2005.no/Docs/00-Main_doc/050520_Bergen_Communique.pdf)

employment, including by improving the adaptability of workers and enterprises;

- the theme of adaptability is also central to that of flexicurity, currently a key European policy priority as set out in the 2006 Annual Progress Report, 'Moving Up a Gear'<sup>170</sup>.
- the European Gender Pact, adopted by Heads of State and Government at the 2006 Spring Council<sup>171</sup>; and
- the European Commission Roadmap for Equality between Women and Men 2006–2010<sup>172</sup>, which builds on the experience of the Framework Strategy for Equality between Women and men for the period 2001–2005. It combines the launch of new actions and the reinforcement of successful existing activities. It reaffirms the dual approach of gender equality based on gender mainstreaming (the promotion of gender equality through mainstreaming and specific measures).
- the strong emphasis on promoting sustainable development in the Lisbon and Gothenburg agenda, and the need to improve awareness and skills that will be necessary to respond to environmental challenges now, and in the future.

## UK

4.99 Learning supply must better match the needs of employers and labour market opportunities, with an emphasis on economically valuable skills and qualifications. A major review of the UK's skills levels and future needs was published in December 2006. Lord Sandy Leitch published his final report on UK skills, "*Prosperity for all in the global economy – World class skills*", which contains a number of recommendations on how the vision of developing the UK as a world leader on skills by 2020, can be progressed. UK central government has welcomed the review and accepts the proposal for a new Commission for Employment and Skills. The formal UK Government response will be published in Summer 2007, following the Comprehensive Spending Review.

4.100 The Welsh Assembly Government has welcomed the report and several initiatives are cited within the report e.g. the Employer Skills Pledge to raise workers' literacy and numeracy, and all age careers advice services that link advice to actual employment opportunities. Much of the activity recommended by Lord Leitch is being progressed using the *Skills and Employment Action Plan 2005*. The UK wide network of Sector Skills Councils will play a valuable role here in Wales, in delivering

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<sup>169</sup> COUNCIL DECISION of 12 July 2005 on Guidelines for the employment policies of the Member States (2005/600/EC):

[http://eur-lex.europa.eu/LexUriServ/site/en/oj/2005/l\\_205/l\\_20520050806en00210027.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/oj/2005/l_205/l_20520050806en00210027.pdf)

<sup>170</sup> 'Time to Move Up A Gear' The European Commission's 2006 Annual Progress Report on Growth and Jobs, 25 January 2006: [http://ec.europa.eu/growthandjobs/annual-report\\_en.htm](http://ec.europa.eu/growthandjobs/annual-report_en.htm)

<sup>171</sup> Spring Council Conclusions 2006 (Paragraph 40 and Annex II):

[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/89013.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/89013.pdf)

<sup>172</sup> A Roadmap for equality between men and women COM (2006) 92:

[http://ec.europa.eu/employment\\_social/publications/2006/ke7205596\\_en.pdf](http://ec.europa.eu/employment_social/publications/2006/ke7205596_en.pdf)

on this agenda, and utilising the National Qualifications Framework system, which delivers competence based qualifications that are based on occupational standards designed by employers.

4.101 Changes announced by the UK Government in May 2006 to the state pension age in its White Paper – *Security in Retirement*<sup>173</sup>, will also encourage people to work for longer, and will therefore affect the demand and requirement for re-skilling and new education or training opportunities for older workers.

### **National**

4.102 *Wales: A Better Country* has as its primary aims: the promotion of a diverse, competitive, high value-added economy with high quality skills and education; and action to promote social justice by providing people and their communities with the means to help themselves and break out of the poverty trap. It recognises that Wales cannot and should not try to compete on cheaper labour costs; indeed, skills and innovation are critical if Wales is to compete on adding value and improve on relative GDP figures in a modern global economy.

4.103 *W:AVE's* vision of a vibrant Welsh economy is focused on delivering strong and sustainable economic growth, creating opportunities for all, and helping to raise earnings for those in work. This priority's policy objectives are further developed in *The Learning Country 2: Vision into Action* which sets out an ambitious agenda for education and training in Wales. The priority looks to build on a number of key components of this agenda with the stronger emphasis in raising educational achievement and supporting the development of skills to support the knowledge economy.

4.104 The *Skills and Employment Action Plan for Wales 2005* sets out a detailed agenda to increase the levels of skilled employment in Wales, with a section on working with employers and employees to improve skills. It also recognises that more women face barriers than men, particularly caring responsibilities, and that the development of policies to enable people to have a good work-life balance, also play a key role in raising economic activity rates.

4.105 Alongside this plan sits *Words Talk, Numbers Count*, which aims to improve basic literacy and numeracy skills in Wales, and the Work-based Learning Improvement Plan, which will deliver a programme of improvements to the quality of work-based and vocational learning. The Strategy for Older People will also be an influence.

4.106 The *Reaching Higher* agenda for higher level, graduate education, builds on the framework of *The Learning Country 2: Vision into Action* to inspire and enable

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<sup>173</sup> DWP White Paper Security in Retirement, Towards a new pensions system, <http://www.dwp.gov.uk/pensionsreform/whitepaper.asp>

individuals to develop their capabilities to the highest levels throughout life, increase their knowledge and understanding, and foster their application to benefit society as a whole, and serve the needs of an adaptable, sustainable, knowledge based economy. It also influenced in several key areas by the newly published Science Strategy<sup>174</sup>, *A Science Policy for Wales*, the Welsh Assembly Government's strategic vision for sciences, engineering and technology, issued in November 2006. A new policy strategy for e-learning and effective utilisation of ICT across the Welsh economy is also being developed by the Welsh Assembly Government. "*Towards e-Wales: A consultation on exploiting the power of ICT in Wales*"<sup>175</sup> was launched for public consultation in July 2006.

4.107 The *Wales Management Development Strategy* aims to inspire, motivate and drive change in the perception, delivery, take up and funding of management and leadership development in Wales. The strategy will seek to convince all managers of the benefits of developing their skills and abilities; identify through research the real development needs of managers in Wales; ensure that managers can obtain high quality and flexible training and development; share best UK and international management practice among all businesses in Wales; and measure progress against credible benchmarks<sup>176</sup>.

4.108 The importance of improving awareness and skills sustainable development issues are identified in the Welsh Assembly Government's *Education for Sustainable Development and Global Citizenship Strategy*. It aims to integrate sustainable development into education and learning programmes for children, young people and adults. Also there needs to be sufficient capacity in the region for the speciality skills required to deliver the outcomes identified in the *Environment Strategy for Wales*. These aims and outcomes will be promoted by integrating Convergence sustainability objectives into supported training and education programmes.

4.109 Promoting a sustainable, innovative and high value economy for Wales also forms a key part of the implementation of the *Wales Spatial Plan*. It provides a framework for addressing a wide range of development issues, including skills, in the various regions of Wales and will guide the Welsh Assembly Government's work with partners.

4.110 Promoting equality of opportunity is a major cross-cutting theme of the Welsh Assembly Government and is reflected in its strategic agenda, *Wales: A Better Country*. The promotion of equality is also enshrined in the Government of Wales Act 1998 and the Welsh Assembly Government strategy - Mainstreaming Equality.

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<sup>174</sup> Welsh Assembly Government's Science Policy for Wales 2006, <http://new.wales.gov.uk/docrepos/40382/4038231141/403821124158/science-policy-eng?lang=en>

<sup>175</sup> Towards e-Wales, Welsh Assembly Government consultation document, [http://new.wales.gov.uk/docrepos/40382/4038231141/403821124/517285/ewalesstrategy\\_e.pdf?lang=en](http://new.wales.gov.uk/docrepos/40382/4038231141/403821124/517285/ewalesstrategy_e.pdf?lang=en)

<sup>176</sup> Wales Management Council.

4.111 Other policies, for example the promotion of the UK *Investors in People* standard and careers advice through Careers Wales, aim to have an impact on training and career progression for women. These kinds of policy approaches are included in the Comparative Review, '*Reconciliation of work and family life*' published by the European Commission in 2005<sup>177</sup>.

### **Priority Level Indicators**

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

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

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

4.115 Targets are also presented in the table below. All targets are to be achieved by 2015. Impacts indicators which need to be assessed via evaluation will be reported upon annually from 2009 onwards. These are identified in Annex K – Indicators.

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<sup>177</sup> Reconciliation of work and private life, A comparative review of thirty European countries:  
[http://bookshop.europa.eu/eubookshop/FileCache/PUBPDF/KE6905828ENC/KE6905828ENC\\_002.pdf](http://bookshop.europa.eu/eubookshop/FileCache/PUBPDF/KE6905828ENC/KE6905828ENC_002.pdf)

**Table 30: Priority 3 Indicators and Targets**

Indicator	Target (2015)
<b>Outputs</b>	
Total participants (Employed)	90,000
Female participants	66%
<i>Key intervention groups:</i>	
<i>Older participants</i>	30%
<i>BME participants</i>	-
<i>Participants with work-limiting health condition or disability</i>	13%
<i>Participants accessing basic skills qualifications</i>	45%
<i>Participants accessing Level 2 training</i>	30%
<i>Participants accessing Level 3 training</i>	15%
<i>Participants accessing Level 4 and above training</i>	10%
<i>Female participants who work part-time</i>	29%
Employers assisted or financially supported	15,000
Research studies	-
Learning and development strategies	-
Projects delivering specialist training in sustainable development	10%
<b>Results</b>	

Indicator	Target (2015)
Participants gaining qualifications - Employed	37,530
<i>Qualification levels to be gained:</i>	
<i>Basic Skills</i>	54%
<i>-Female</i>	-
<i>-Older participants</i>	-
<i>-BME participants</i>	-
<i>-Participants with work-limiting health condition or disability</i>	-
<i>- Female participants who work part-time</i>	-
<i>At Level 2</i>	29%
<i>-Female</i>	-
<i>-Older participants</i>	-
<i>-BME participants</i>	-
<i>-Participants with work-limiting health condition or disability</i>	-
<i>- Female participants who work part-time</i>	-
<i>At Level 3</i>	11%
<i>-Female</i>	-
<i>-Older participants</i>	-
<i>-BME participants</i>	-
<i>-Participants with work-limiting health condition or disability</i>	-
<i>- Female participants who work part-time</i>	-
<i>Level 4 and above</i>	6%
<i>-Female</i>	-
<i>-Older participants</i>	-
<i>-BME participants</i>	-
<i>-Participants with work-limiting health condition or disability</i>	-
<i>- Female participants who work part-time</i>	-
Participants entering further learning	-
<i>Key intervention group:</i>	
<i>Employed BME participants</i>	-
Progression schemes for women	-
Employers adopting or improving equality and diversity strategies and monitoring systems	50%
<b>Impacts</b>	
Skills level of employment	-
Pay level of employment	-
Women in management	-
Participants gaining part qualifications	-

## *Operational Strategy*

### **Theme 1: Raising the skills base of the workforce and supporting progression in employment through basic and intermediate level skills.**

4.116 This theme aims to improve levels of basic literacy and numeracy skills, also ICT skills, other generic skills and occupational skills within the workforce and support progression to Level 2, with demand-led progression up to, and including Level 3. This will be achieved by:

- raising levels of basic literacy and numeracy in the workforce;
- supporting the acquisition of ICT, generic and occupational skills in the workforce;
- supporting progression in employment through flexible training and learning provision; and
- helping low skilled workers to gain the additional skills and qualifications needed to sustain their employment, improve productivity and increase earnings via career progression.

#### *Indicative Activities*

- targeted interventions to improve access to basic and functional skills provision (numeracy and literacy) for employees within and outside the workplace;
- providing low-skilled workers with academic qualifications and vocational skills up to Level 2, e.g. ICT skills, and generic work skills such as team working, problem-solving and customer-handling skills;
- supporting demand-led progression up to Level 3 through flexible learning provision for individuals, including apprenticeships;
- collaborative work with trade unions and social partners to support training for non-native speakers of English or Welsh, where employment opportunities in the local labour market would be enhanced;
- collaborative work to enable migrant workers to validate qualifications obtained in their home country to increase their access to higher level employment and to make better use of their skills; and
- targeted interventions to address equal opportunities barriers to meet the needs of BME people, disabled people and others facing disadvantage.

4.117 We expect that this theme will absorb around 60% of the resources for this priority.

## **Theme 2 - Skills for the Knowledge Economy: higher level skills and systems for workforce development**

4.118 This theme aims to support the provision of higher level skills, including graduate and post graduate, to support the knowledge economy, to improve systems to identify skills needs, to help employers identify their skill needs, anticipate potential gaps or shortages, and to help people adapt to changing economic pressures impacting on businesses and organisations. This will be achieved by:

- supporting the knowledge economy, including the development of higher level and graduate and post-graduate skills;
- improving research into skills needs and systems for matching learning supply to demand from employers and individuals;
- support employers in identifying and addressing the skills needs of their sectors at all levels, including management, technical and craft skills;
- matching and improving learning provision so that it better meets labour market needs, thereby reducing skills gaps and shortages; and
- helping workers and enterprises adapt to new forms of work organisation and new technologies.

### *Indicative Activities*

- targeted provision of higher level skills on a demand led basis, up to level 4;
- collaborative action between employers, learning providers and Sector Skills Councils to raise the supply of individuals with higher level skills needed in key sectors, e.g. knowledge transfer activities, support for access to relevant courses, development of foundation degrees and sector specific learning programmes, earning and learning schemes, Continuous Professional Development, or specific skills such as research;
- targeted measures to improve retention of graduates and others with higher level qualifications within the region, e.g. use of internships with businesses, and enhanced support for career planning and progression;
- improving the research and evidence base for present and future skills needs, working with employers and Sector Skills Councils to develop strategies to meet such challenges;
- support for workforce development by employers, particularly SMEs and those with the potential to increase their contribution to GDP;
- information, advice and guidance for employees, employers and learning providers on available learning opportunities and demand levels, where a gap has been demonstrated;
- support for leadership and management development to increase firms' adaptability, and delivery of programmes such as networking and mentoring;

- development of flexible, credit-based qualifications and informal learning programmes, including support for their recognition;
- development and use of innovative support packages using new technology to support diverse learning styles and enrich teaching practices;
- supporting those workers to develop new skillsets for sustained employment;
- positive action measures which support BME and disabled people to secure higher level skills;
- positive action measures which support women to secure higher level skills in non-traditional areas such as science and engineering, construction and ICT; and
- adaptation of existing training and skills programmes to integrate sustainable development, addressing current and future environmental challenges, particularly climate change.

4.119 We expect that this theme will absorb around 35% of the resources for this priority.

### **Theme 3 - Promoting gender equality in employment**

4.120 This theme aims to promote gender equality in employment and career advancement, in particular tackling the causes of the gender pay-gap. This will be achieved by:

- raising awareness amongst employers and elsewhere of gender disadvantage in the workforce; and
- raising participation levels in occupations and sectors where men and women are currently under-represented.

#### *Indicative Activities*

- develop actions with partners to remove barriers to full participation in learning and employment opportunities;
- support employers, learning providers and others to promote diversity and challenge traditionally gender dominated cultures, environments and attitudes e.g. men in teaching and nursing, women in construction and scientific professions;
- develop actions with Sector Skills Councils and partners to tackle gender stereotyping in work-based learning, vocational training and apprenticeship programmes; and
- activities led by social partners aimed at promoting better work-life balance, and female employee engagement and retention as a consequence.

4.121 We expect that this theme will absorb around 5% of the resources for this priority.

### **Social Partners**

4.122 EU Regulation [1081/2006] Article 5 (3), provides for an appropriate amount of the ESF to be allocated to supporting activities jointly undertaken by the social partners.

4.123 Under this Priority, around 1.0% of the priority allocation will be set aside to support action with social partners. Activities to be funded will include those that support employers to make identify and address future demands on their workforce. Example activities will include:

- Activity to help disadvantaged groups overcome barriers to gaining higher level skills;
- Helping employers identify and address the learning needs of their workforce;
- Advice and support for individuals to achieve higher level skills within the workforce, or to retrain to respond to changes in job requirements or adapt to new technology;
- Activities promoting and celebrating excellence in management development;
- Activities aimed at improving environmental awareness and management.

### **Added Value**

4.124 ESF resources will add value to the domestic strategies and budgets to raise skill levels with the West Wales and the Valleys region, securing a highly skilled workforce, capable of responding to the changing needs of a knowledge driven economy. It will be used to enable greater participation in training and specifically on increasing participation on Modern Apprenticeships where the increase is expected to be approximately 50% over the lifetime of the programme. It will also allow a broader range of participants to access provision by supporting specific action in relation to equal opportunities, in respect of disadvantages groups, and addressing barriers associated with gender.

4.125 Adding to this, ESF funding will also allow accelerated improvements to be made to the quality of provision and the product as demonstrated by greater demand for skills development and training, and increased participation levels, achievement rates and progression. In turn this will raise the long run propensity to learn by individuals, and the value employers attach to workplace development, which will manifest itself in greater personal and employer commitment to training and skills.

### *Beneficiaries*

4.126 These may include public employment services, Welsh Assembly Government Departments, training organisations, Institutes of Higher and Further Education, Sector Skills Councils, Local Government and Non-governmental organisations (NGOS), voluntary and community organisations, social enterprises and social partners.

### *Flexibility Facility*

4.127 EU Regulation [1083/2006], Article 34 (2), provides for the ESF to fund interventions which fall within the scope of the ERDF (and vice versa), provided such interventions are necessary for the successful implementation of an operation and have a direct link to that operation. In order to promote coherent implementation of actions under this Priority, a maximum of 10% of the EU contribution to the Priority can be used to fund such complementary investments. Justification for using this flexibility will be provided at operation/project level and the resources used in this manner will be separately identified in project applications and expenditure declared.

4.128 Examples of where cross-financing under this Priority might promote coherent implementation include:

- Small scale capital costs relating to equipment to improve the delivery of ESF supported learning provision and equality of access to learning;
- The adaptation or upgrading of existing facilities necessary to support the successful implementation of ESF funded actions;
- Small scale capital costs associated with the development of vocational learning systems;
- Small scale capital costs to create and integrate learning technologies in the design and delivery of programmes;

### *Global Grants*

4.129 We do not envisage the use of Global Grants as defined by EU Regulation [1083/2006], Article 42.

## **Priority 4: Modernising And Improving The Quality Of Our Public Services (Making The Connections)**

### *Objective*

4.130 To improve the effectiveness and efficiency of public services in the region.

### *Target group*

4.131 Central and local government, public agencies, specialist agencies, health service providers, education and training providers, other local services and social partners.

### *Rationale*

4.132 The delivery of public services in an effective and efficient manner plays an important role in the economic and social development of any region. Achieving the very highest standards in public services is particularly critical in West Wales and the Valleys where tackling the levels of social deprivation, peripherality and the lack of agglomeration, a legacy of declining industries, and the level of competition faced by the economy of the region require a high degree of public sector intervention – as evidenced by the qualification of the region for funding through this Convergence Programme.

4.133 The preceding Priorities in this Programme are aimed at addressing the needs of particular groups of individuals to enable them to contribute to the economy of the region while the parallel ERDF Programme addresses the structural barriers faced by the region. The purpose of this Priority is to build the capacity of public administration and services in the region to ensure that they are properly equipped to play their role and better able to meet the needs of their all their users, individuals, businesses and communities.

4.134 Whilst this Priority will absorb a small proportion of the European funding available through the Programme, it will make an important contribution to improving the efficiency and effectiveness of public service delivery by the development of the capacity of public service managers and workforce. It will ensure public services, by being more efficient, effective and customer focused, are better placed to support the broader goals of the programme. Joint action to reduce economic inactivity, leading and managing regeneration on a multi disciplinary basis, and raising skills levels will underpin the wider economic agenda for growth and jobs.

4.135 Public services in the West Wales and the Valleys are provided through a mixed economy. Responsibility lies with central and local government and delivery through a range of public, private, voluntary and third sector bodies. It is, therefore, necessary to focus on all elements and also the interactions between them in order to achieve the improved standards of performance in public service.

4.136 Not only are the demands on public services different for different communities but within the public services themselves, there are capacity issues compounded by skills gaps in some areas due to the mismatch between the region's skills' profile and the requirements of the public sector. These need to be addressed, especially as modern and dynamic public service delivery draws increasingly on more sophisticated and technically advanced applications. At the same time, levels of customer expectation are rising as citizens and businesses expect speedy solutions that are sensitive to their particular circumstances. Overall, services are expected to be provided on an equitable basis with issues such as access or location no longer regarded as valid reasons for restrictions on choice, or quality of provision. One possible means of tackling such skills deficits could be through the creation of a centre of excellence in administrative best practice, which would align with the types of activities proposed under ERDF Priority 3 – Developing strategic infrastructure for a modern economy.

## **Policy context**

### ***European***

4.137 The European Social Fund Regulation [1081/2006], for the programming period 2007-2013 introduces a new priority which offers support to strengthening institutional and administrative capacity in Convergence regions as a key element for promoting structural adjustments, growth and jobs, as well as economic development. The Community Strategic Guidelines also identify administrative and institutional capacity and good governance as priorities for 2007 - 2013. The rationale for introducing this priority is to generate efficiencies in public services; the creation of well-functioning institutions and public administrations; and to contribute to growth and employment. Effective institutional and administrative capacity is key to good governance - an essential element of the Lisbon agenda. The implementation of the new priority is characterised by a more strategic approach which should lead to a comprehensive reform or modernisation of the relevant public administrations and public services.

4.138 The emphasis on making public services better, more cost effective and accessible through maximising the use of ICT is one of the principal aims set out in the i2010 strategy '*A European Information Society for growth and employment*'. The e-government action plan, which flows from this strategy, estimates that hundreds of billions of Euros could be saved for European taxpayers every year through initiatives like electronic public procurement and reducing administrative burdens to citizens and businesses. The actions outlined in this priority will help the Welsh Assembly Government contribute the e-government element of i2010 and play its part in ensuring that the maturity of online public services in the EU keeps improving as has been the case over the last year to April 2006<sup>178</sup>.

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<sup>178</sup> Online availability of public services: how is Europe progressing?, June 2006:  
[http://europa.eu.int/information\\_society/europe/i2010/docs/benchmarking/online\\_availability\\_2006.pdf](http://europa.eu.int/information_society/europe/i2010/docs/benchmarking/online_availability_2006.pdf)

4.139 More generally, making public services more efficient and responsive is also a part of the EU Better Regulation agenda which stresses the importance of reducing the administrative burden for companies to make them more competitive, estimating that a 25% reduction in administrative burden in the Member States would lead to an increase of real GDP by 1% to 1.4%.

## **UK**

4.140 This theme also reflects the following strategies and principles that influence policy design and delivery in Wales:

- specific proposals to deliver efficiencies as set out in the UK Gershon Report<sup>179</sup>; and
- plans for transforming service delivery to citizens and businesses as set out in the Varney report<sup>180</sup>.

## **National**

4.141 *Making the Connections* is the Welsh Assembly Government's public services reform programme to drive the changes needed across public services in Wales, to address the wide range of challenges they face now and for the future. It reflects a distinctive approach designed to meet the circumstances of Wales in the wake of devolution. It addresses statutory services providers, the voluntary and private sectors. It sets efficiency targets and identifies priorities for workforce planning and development, as well as emphasising its commitment to social justice and equality in taking this agenda forward.

4.142 The aim of the policy is to make public services more responsive to citizens, integrated, effective and efficient, including the target that all public bodies should become around 1% more efficient year-on-year during the five-year programme leading to the achievement of £600 million of value for money improvements by 2010. The Welsh Assembly Government has since been following through this policy under its *Delivering the Connections* action plan (2005–2010), with a budget of £14 a year, for each of the next three years, (2007 – 2010), the current budget horizon.

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<sup>179</sup> Releasing Resources to the Front line - an independent report by Sir Peter Gershon, July 2004  
[http://www.hm-treasury.gov.uk/media/B2C/11/efficiency\\_review120704.pdf](http://www.hm-treasury.gov.uk/media/B2C/11/efficiency_review120704.pdf)

<sup>180</sup> Service transformation: A better service for citizens and businesses, a better deal for the taxpayer – Sir David Varney, December 2006

4.143 *Delivering the Connections* sets out a detailed implementation programme with four workstreams:

- Improving customer service and citizen engagement in service design and delivery;
- collaboration to improve service delivery;
- efficiency; and
- workforce development;

4.144 Key areas of action are summarised as:-

- Customer Service and Engagement – better customer service, public engagement and transforming access to services ( including ICT);
- Integration and Collaboration – better integrated central government functions, stronger regional and local collaboration and simpler governance;
- Efficiency - £600m efficiency gains, secondary and sharing functions, smarter sustainable procurement and capital management;
- Workforce Development – workforce planning and HR, developing leaders at all levels, and change management.

4.145 In support of these actions the Welsh Assembly Government is funding *Value Wales* to provide leadership and expertise to public service bodies on efficiency and business process improvement, and *Public Service Management Wales* to support public service management and workforce development. In addition, the Making the Connections programme provides financial support to act as a catalyst for the development of innovative projects in collaborative working and service delivery across the public service. Any ESF funding contributing to this form of activity will be subject to the normal eligibility rules.

4.146 The Making the Connections programme was revisited in autumn 2006 following an independent review commissioned by the Welsh Assembly Government into what further issues needed to be addressed to improve local service delivery in Wales. The report *Beyond Boundaries: The Review of Local Service Delivery in Wales (April 2006)* endorsed the *Making the Connections* programme as the right approach to public service reform for Wales but says it has to be pushed further and faster.

4.147 Flowing from this the Assembly Government published in November 2006, called *Making the Connections: Delivering Beyond Boundaries*, which broadens the existing action plan. A key new commitment is the creation of Local Service Boards, bringing together leaders from local government, economic development, education, health, policy and third and other sectors to improve public service delivery and

performance at local level, and work more effectively as a team in addressing the needs of local citizens. Once established, these Boards will develop Local Service Agreements with the Welsh Assembly Government.

4.148 The importance of improving awareness and skills sustainable development issues are identified in the Welsh Assembly Government's *Education for Sustainable Development and Global Citizenship Strategy*. It aims to integrate sustainable development into education and learning programmes for children, young people and adults. Also there needs to be sufficient capacity in the region for the speciality skills required to deliver the outcomes identified in the *Environment Strategy for Wales*. These aims and outcomes will be promoted by integrating Convergence sustainability objectives into supported training and education programmes.

4.149 Alongside strategies which will steer the cross cutting theme of Environmental Sustainability, the application of the cross cutting theme for Equal Opportunities will be steered by the legal requirement of section 120 of the Govt of Wales Act 1998, to embed equality of opportunity, and the Welsh Assembly Government strategy - Mainstreaming Equality.

#### *Priority Level Indicators*

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

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

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

4.153 Targets are also presented in the table below. All targets are to be achieved by 2015. As this is a new area of activity evaluation of this Priority will follow a two stage approach. This priority will therefore be subject to evaluation in 2010 and 2012. See Annex K – Indicators.

**Table 31: Priority 4 Indicators and Targets**

Indicator	Target (2015)
<b>Outputs</b>	
Total participants (employed)	7,500
Female participants	52%
<i>Key intervention groups:</i>	
<i>Public service managers</i>	60%
<i>Public service workforce</i>	40%
Dissemination initiatives	70
Employers assisted or financially supported	60
Initiatives to support Local Service Board development	15
Projects delivering specialist training in sustainable development	10%
<b>Results</b>	
Collaborative agreements between public service bodies	20
Sub-regional workforce planning & development strategies	3
Organisational learning and development strategies	25
Participants completing courses - Employed	6,750
<i>Key intervention groups:</i>	
<i>Public service managers</i>	-
<i>Public service workforce</i>	-
<i>Female participants</i>	-
Secondment placements	700
Employers adopting or improving equality and diversity strategies and monitoring systems	50%
Employers adopting or improving Environmental Management Systems	75%
<b>Impacts</b>	
Public service quality improvement	-
Increase in public service efficiency (including reduced costs of service delivery)	-
Citizen satisfaction with public services	-

*Operational strategy.*

4.154 This Priority will be delivered through two interconnecting themes. Under Theme 1, interventions will be targeted on projects to enable public service bodies (NGOs, public sector and others) to transform their business processes, systems and operations through more effective joint working and resource sharing. This will typically require some initial pump-priming funding to develop the capacity and expertise within the public service sector workforce. Theme 2 will concentrate on building capacity, developing leadership and management skills more generally within public service bodies to sustain the change in service delivery in the longer term.

4.155 Interventions will be focused on activity by regional and sub-regional partnerships and Local Service Boards with coordination and support through the *Making the Connections* programme, including *Public Services Management Wales*, *Value Wales* and national umbrella bodies. Interventions will include the development of NGO and third sector capacity supporting their contribution as part of a mixed economy and enhancing their ability to deliver innovative approaches to service delivery, enabling public service sector bodies to engage more effectively with the diverse communities they serve.

**Theme 1: Transforming public services through more effective collaborative working.**

4.156 This theme will focus on implementing changes in service design and delivery through the collaborative re-design and re-engineering of services, systems and processes on a collaborative basis to make public services more efficient, integrated and responsive to the communities they serve. It will build on current and planned pilots, feasibility studies and other foundation work enabled through the *Making the Connections* Programme as well as initiating innovation. As well as reflecting the Welsh Assembly Government's commitments to equality and sustainable development, the activity will be underpinned by a commitment to engaging the public and partners in service design and delivery. This will be achieved by:

- improving local service delivery through joint-working across sectors and organisations led by Local Service Boards to deliver better outcomes (e.g. reducing economic inactivity, enabling regeneration and improving standards of health);
- establishing shared service delivery arrangements at the regional or sub-regional levels for services which can be improved by sharing expertise, achieving economies of scale or cannot be sustained economically or effectively by a single body;
- improving the accessibility of services to the public through the use of web-based channels, joint customer service contact systems and other communication channels, and

- supporting the implementation of collaborative procurement and shared service arrangements in order to achieve greater efficiency, development of strategic electronic procurement processes, promotion of equality of opportunity, and the implementation of sustainable procurement practice.

4.157 We expect this theme to absorb around 40% of this objective.

*Indicative Activities*

4.158 These will include:

- initiatives to support the development of Local Service Boards as a basis for encouraging joint-working across sectors;
- supporting the implementation by Local Service Boards of projects to integrate local service delivery across all public service sectors, including local service bodies social partners and NGOs based on collaborative agreements;
- expanding and deepening the capacity of public service bodies to facilitate and deliver business process change, including through dissemination and organisational development initiatives;
- supporting projects by regional and sub-regional partnerships to implement and improve joint delivery arrangements, including shared approaches to improve the delivery and/or efficiency of procurement, corporate functions, environmental management and customer service;
- expanding and extending public access to public services through the use of shared contact centres, single number telephone contacts points, shared information systems and targeted outreach support for those groups facing particular difficulties over accessibility; and
- increasing the knowledge and skills relating to improving resource efficiency including the use of environmental management systems to improve the environmental performance of public services.

**Theme 2: Building the Capacity of Public Service Sectors to Deliver Higher Quality Services.**

4.159 This theme aims to develop the skills and capacity of the public service workforce and organisations to engage in, deliver and sustain the reform agenda. This includes helping leaders and managers build their capacity to lead the workforce through change, securing a more strategic approach to the management of human resources and addressing specific skills gaps in the workforce, and strengthening the capacity of social partners. This theme will promote equal opportunities and environmental sustainability throughout the types of activity supported, as part of the requirement to address the cross cutting themes. This will be achieved by:

- developing a range of learning interventions and networks to enable managers and leaders to build core skills and knowledge (for example project management, customer service, partnership management) to meet the challenge of improving services, planning more effectively for the development of the workforce and ensure succession strategies;
- building capacity among social partners and NGOs to contribute effectively to service delivery, development and redesign, particularly to ensure focus on the perspective of the service user; and
- identifying innovative approaches and successful leadership and management practices within a trans-national context.

4.160 We expect that this theme will absorb around 60% of the resources for this priority.

#### *Indicative Activities*

4.161 These will include:

- establishing and implementing sub-regional public service workforce planning and development strategies (probably the South Wales Valleys, South West and North West Wales) across the full range of public service organisations aimed at strengthening the skills-base of the public service workforce in key areas, including collaborative leadership, change management, sustainable development, regeneration, equality and diversity, customer service and public engagement;
- interventions, working with public service organisations and social partners, to ensure that the workforce is trained and engaged in the process of service transformation, taking account of the introduction of new technologies, the collaborative agenda, the citizen and customer service model, the emphasis on delivery skills including project management and the diversity of the Welsh labour market;
- a programme to strengthen the capacity of NGOs and social partners to contribute to the planning, modernising and delivery of public services; delivering a learning and development portal, based around individualised plans of action, to enhance the skills of displaced staff and transfer their expertise to other aspects of public service delivery;
- secondment programmes, building on the *People Exchange Wales* programme, to promote skills transfer across public services in the region and to develop opportunities for trans-national networking with partner public services providers elsewhere in the European Union, with a view to promoting and disseminating best practice; and
- support for managers to develop and deliver enhanced management development activities, which include strategies for equal opportunities.

### *Added Value*

4.162 The anticipated match funding for the Priority will come from the Welsh Assembly Government's *Making the Connections* public service reform budget, currently £14 million a year over the 3 years 2007-10, with the balance coming from other sources including local authorities, health and other public service delivery bodies, voluntary and community bodies.

4.163 The Priority will enable much faster and deeper progress with the public service reform agenda set out by the Welsh Assembly Government under *Making the Connections*, increasing by at least 50% the funding and scale of change activity targeted on the Convergence region which the core *Making the Connections* reform programme can deliver. This added value will be tracked through the indicators identified for the Priority and the evaluation identified in paragraph 4.153.

### *Social Partners*

4.164 EU Regulation [1081/2006], Article 5 (3), provides for an appropriate amount of the ESF to be allocated to supporting activities to be led by the social partners. It is not proposed to allocate funding to social partners within this priority.

### *Beneficiaries*

4.165 These may include public sector bodies including Local Authorities, the voluntary and community sector, and social partners.

### *Flexibility facility*

4.166 EU Regulation [1083/2006], Article 34(2), provides for the ESF to fund interventions that fall within the scope of the ERDF (and vice versa) provided that such interventions are necessary for the successful implementation of an operation and have a direct link to that operation. It is possible that this facility will be utilised in respect of this Priority for some small scale capital expenditure required to address the training and development needs of the leaders and employees in the public services.

### *Global Grants*

4.167 We do not envisage the use of Global Grants as defined by EU Regulation [1083/2006], Article 42.

## **Priority 5: Technical Assistance**

### **Objective**

4.168 To ensure the efficient and effective management of the Programme.

### **Rationale**

4.169 Technical Assistance (TA) is an essential resource for supporting the effective delivery of the Programme. Well-supported and robust administration systems which build on those utilised for previous Programmes will be needed to ensure that the new Programmes operate smoothly and effectively. TA will be used alongside the resources of the Welsh Assembly Government and its partners and will focus on supporting key parts of the implementation process.

4.170 Technical assistance will be utilised to support the development of capacity at the Spatial Plan Area level to engage with a range of local partners and stakeholders to develop and support the implementation of relevant Strategic Frameworks.

4.171 EU Regulation 1083/2006, Article 46, allows the use of technical assistance to finance the preparatory, management, monitoring, evaluation, information and control activities of operational programmes together with activities to reinforce the administrative capacity for implementing the funds.

4.172 Building on experience in 2000 - 2006 the Managing Authority proposes to use TA both to improve the implementation of the programme (strengthening governance and compliance) and enhance its effectiveness in creating jobs and growth (developing our delivery capacity to increase impact). To take this forward, the Managing Authority aims to use TA to support a range of eligible activities undertaken by partner organisations and the Managing Authority itself, as set out in Article 46.

### *Management*

4.173 The following indicative activities will help improve strategic implementation and strengthen programme support and development:

### **Indicative Activities**

- encourage and facilitate collaborative projects and approaches and enhance capacity, including support for the development and implementation of Strategic Frameworks;
- strengthen co-ordination and liaison mechanisms with partnerships and promote partnership working;

- advise and support for projects incorporating activity relating to innovation, trans-national co-operation, sharing of good practice and mainstreaming;
- improve external expertise and technical advice;
- develop and enhance bespoke IT systems;
- advise and support projects on cross-cutting themes integration; and
- training for project managers and support for networks.

### *Monitoring*

4.174 A single Programme Monitoring Committee (PMC) will be established to oversee the effectiveness and quality of the programmes. Its work will be enhanced by the improvement in monitoring and management information flowing from the investment in IT identified above. Technical assistance will be used to support the duties of the PMC, as defined in EU Regulation 1083/2006, Articles 65 and 66, and its sub-committees and, in most cases, the costs will be divided between the two Convergence and the two Regional Competitiveness and Employment programmes on a proportionate basis (i.e. a pro-rata basis).

4.175 Experts appointed to the PMC based on merit will be remunerated in line with the Welsh Assembly Government's normal practice, with payment from domestic sources of funding and not from Technical Assistance or the Structural Funds.

### **Indicative Activities**

- expenditure on monitoring and sub-committee meetings, including expenses; and
- strengthening significantly aspects of WEFO's Programme Management function. This will include a number of technical and expert functions as well as providing better internal programme management, enhanced management support to the PMC and improved reporting to the European Commission.

### *Research and Evaluation*

4.176 During the 2000-2006 programming period, research and evaluation has played a central role in helping WEFO to manage programmes effectively. WEFO set up a specialist Research, Monitoring and Evaluation (RME) team to design, carry out or manage programme-level evaluations.

4.177 Technical Assistance will be used to meet the requirements for evaluation as set out in EU Regulation [1083/2006], Articles 47 and 48.

### **Indicative Activities**

- programme level research and evaluation, including research into the Cross Cutting Themes;
- research and evaluation related to Strategic Frameworks;
- provision of evaluation advice and guidance to sponsor organisations;
- research and evaluation dissemination and workshop events; and
- management of research and evaluation exercises, for example through the Evaluation Advisory Group; and

4.178 Further detail on these planned activities is available in Chapter 6 – Implementing Provisions.

### *Information and Publicity*

4.179 The success of the programme depends to a large degree on a wide understanding among the sponsors and partners of its contents, governing regulations, and aims and objectives. Actions must be taken to ensure that potential sponsors and administrators of the programme are aware of how the programme works and of the funding opportunities available. It is also essential that the benefits and achievements of the programmes are widely publicised to highlight the value added by the EU working in partnership with the Welsh Assembly Government and its partners.

### **Indicative Activities**

- dissemination of information, publicity and communication including guidance for partners and sponsors; seminars/workshops;
- WEFO website development and maintenance;
- diversity and accessibility initiatives; and
- The operation of a Helpline.

### *Control Activities and Reinforcing Administrative Capacity*

4.180 The Managing Authority has developed and improved its control systems throughout the period of the 2000-06 programmes. It wishes to build on this to become a structural funds exemplar across the range of its functions.

*Indicative activities*

- enhanced audit arrangements to ensure that these arrangements, including those described under Article 17 of the Implementing Regulations<sup>181</sup>, work effectively, improving quality and timelines;
- improve irregularity monitoring and reporting; and
- establishment of a guidance unit within the MA developing and providing continuing and consistent advice to sponsors and partners.

**Beneficiaries**

4.181 These will include the public sector, private sector and the voluntary sector.

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<sup>181</sup> Commission Regulation (EC) no. 1828/2006 of 8 December 2006 setting out rules for the implementation of the Structural Funds.



## **Chapter 5: Cross Cutting Themes**

5.1 In accordance with Articles 16 and 17 of regulation (EC) No 1083/2006 and Article 6 of regulation (EC) No1081/2006, the cross-cutting themes of equal opportunities and environmental sustainability will be built into the ESF Convergence programme. The aim is to build on the substantial progress made in integrating these cross cutting themes into the delivery of the European Structural Funds programmes 2000 -2006.

5.2 This chapter sets out the rationale, outlines the current policy context and defines the operational strategy for both themes. The ways in which the themes will be implemented, monitored and evaluated are covered in Chapter 6, along with the lessons learned from the current programme 2000-2006 in Annex L.

### **Equal Opportunities and Gender Equality for Women and Men**

#### *Rationale*

5.3 The principles of equal opportunity for all citizens and ensuring that no groups are excluded from society are central to Welsh Assembly Government and UK Government Policy, not least in relation to the labour market. The integration of equal opportunities in the Structural Funds is important not only for legal reasons, but also because overcoming inequalities between men and women contributes to the overall effectiveness of the Structural Fund programmes. A commitment to treating equal opportunities as one of the two cross-cutting themes within Structural Fund programmes in the UK is made in the National Strategic Reference Framework (NSRF) 2006.

5.4 The aim is to promote equal opportunities for all within the context of the opportunities offered by the Convergence programme and to prevent any discrimination on the grounds of gender, disability, ethnic origin, religion or belief, age, sexual orientation and with regard to the bilingual nature of many of the region's communities.

5.5 Promoting equal opportunities for all will contribute to the objectives of the programme by:

- reducing injustice and thus promoting social cohesion with a wide range of benefits including an improved environment for economic development;
- seeking to ensure that all people living in West Wales and the Valleys have the opportunity to use their skills and abilities to best effect; and
- raising the levels of GDP per head and addressing the imbalance in earnings of women and men.

5.6 These are key challenges, and the analyses contained in Chapter 2 and Annexes D and L provide supporting evidence of the relatively disadvantaged positions of women, disabled people, older people and Black and minority ethnic people, clearly evidenced in measures of economic inactivity.

## Policy Context

5.7 The European Community has a long-standing commitment towards equal opportunities, and equal treatment between men and women, aiming to eliminate all forms of discrimination through a variety of instruments; joint declarations, resolutions, directives and action programmes. The integration of equal opportunities in the Structural Funds is helping to overcome inequalities between men and women in the labour market.

5.8 The Integrated Guidelines for Growth and Jobs emphasise the importance of equal opportunities and combating discrimination. The European Commission's Communication on "*Working Together for Growth and Jobs*"<sup>182</sup> indicates that it will be difficult to achieve the ambitious Lisbon strategic objectives if large groups of the EU's population are excluded from jobs, training and other opportunities.

5.9 In line with the equality principles enshrined within the Amsterdam Treaty, the National Assembly for Wales has a duty to promote equality of opportunity, as stipulated under Section 120 of the Government of Wales Act 1998: '*The Assembly shall make appropriate arrangements with a view to securing that its functions are exercised with due regard to the principle that there should be equality of opportunity for all people.*'

5.10 The commitment to equality of opportunity has also been re-enforced in several Welsh Assembly Government key strategy documents, including *Wales: A Vibrant Economy*. One of its four key priorities is to increase employment supporting job creation and helping individuals to tackle barriers to labour market participation and the world of work.

5.11 *The Wales Spatial Plan* takes forward the Welsh Assembly Government's commitment to tailor its policies to the differing needs of the different parts of Wales, in which equality will be an integral part to delivering a sustainable future.

5.12 The Welsh Assembly Government's Sustainable Development Action Plan 2004–2007, Skills and Employment Action Plan 2005, Making the Connections and strategies such as Extending Entitlement and 14–19 Pathways all highlight the importance of equality in its approach to policy delivery.

5.13 The Welsh Assembly Government is committed to mainstreaming the Welsh language. The second Annual Report on *Iaith Pawb* (National Action Plan for a

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<sup>182</sup> COM (2005)24 Working Together for Growth and Jobs

Bilingual Wales) and the Welsh Language Scheme<sup>183</sup> highlighted the good progress made during 2004–2005, but recognised that more needs to be done to ensure that mainstreaming the Welsh language occurs among all new projects and initiatives.

### *Current and Future Legislative Framework*

5.14 There is a range of legislation<sup>184</sup> that underpins the equality agenda. There are also several new pieces of legislation in development. The Equality Bill and related legislation will help to place all aspects of equality on a more common footing, and make it easier to mainstream equality as a whole in the business of Government. The Bill sets out plans to establish a new body, in October 2007, called the Commission for Equality and Human Rights (CEHR). The body will have wide-ranging powers to tackle discrimination and prejudice, and to promote equality.

5.15 The CEHR will bring together, in a single body, the work of the Commission for Racial Equality (CRE), the Disability Rights Commission (DRC) and the Equal Opportunities Commission (EOC). It is planned that the CEHR will be established in October 2007. The CEHR will also have responsibility for the new equality areas of age, religion and belief, and sexual orientation, and will work to promote Human Rights.

5.16 The Equality Bill also includes new powers to outlaw discrimination on the grounds of religion and belief in relation to goods and services and creates a duty on public authorities to promote equality of opportunity between men and women and prohibit sex discrimination in the exercise of public functions. The Bill will also facilitate the introduction of rules to prohibit discrimination in relation to goods and services for lesbian, gay and bisexual people.

5.17 An Equalities Review and the Discrimination Law Review are taking place, with a view to bringing forward a Single Equality Bill at the earliest possible opportunity.

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<sup>183</sup> The Welsh Language Scheme:

<http://www.wales.gov.uk/subculture/content/standards/language-scheme-e.pdf>

<sup>184</sup> Equality Acts – Race Relations Act 1976/Race Relations (Amendment Act) 2000

[http://www.opsi.gov.uk/actsen2000/2000en34.htm#muscat\\_highlighter\\_first\\_match](http://www.opsi.gov.uk/actsen2000/2000en34.htm#muscat_highlighter_first_match)

Welsh Language Act 1993: [http://www.opsi.gov.uk/acts/acts1993/Ukpga\\_19930038\\_en\\_1.htm#tcon](http://www.opsi.gov.uk/acts/acts1993/Ukpga_19930038_en_1.htm#tcon)

Sex Discrimination(Gender Reassignment) Act 1999: <http://www.opsi.gov.uk/si/si1999/19991102.htm>

Gender Recognition Act 2004: <http://www.opsi.gov.uk/acts2004/20040007.htm>

Civil Partnership Act 2005: <http://www.opsi.gov.uk/si/si2005/20052114.htm>

Employment Equality (Sexual Orientation) Regulations 2003:

[http://www.opsi.gov.uk/si/si2003draft/20036454.htm~muscat\\_highlighter\\_first\\_match](http://www.opsi.gov.uk/si/si2003draft/20036454.htm~muscat_highlighter_first_match)

Equal Pay Act 1970: <http://www.eoc.org.uk?PDF/epa.pdf>

Disability Discrimination Act 1985: <http://www.opsi.gov.uk/acts/acts2005/20050013.htm>

Employment Equality (Religion and Belief) regulations 2003:

[http://www.opsi.gov.uk/si/si2003/20031660.htm#muscat\\_highlighter\\_first\\_match](http://www.opsi.gov.uk/si/si2003/20031660.htm#muscat_highlighter_first_match)

The Human Rights Act: <http://www.opsi.gov.uk/acts1998/19980042.htm>

## Objectives

5.18 The four cross-cutting equal opportunities objectives for the Convergence programme are set out below. These have been developed using evidence from the Analysis in Chapter 2, and Annexes D and L. A summary of the lessons learned from implementing the cross-cutting themes in the 2000-2006 Programmes is at Annex L. An analysis has also been carried out of the potential impact of supported activities on the Programme's equal opportunities objectives. This is represented in the form of an Analysis and Matrix and is available at Annex D.

5.19 The following four equal opportunities objectives will guide the implementation of each of the Priorities in Chapter 4 within the context of the activities to be funded.

**Objective 1:** *Increase the number of individuals who have multiple disadvantages accessing employment and self employment.*

5.20 The creation of the right opportunities and support for individuals is crucial if they are to play an active role in the labour market. Positive action measures, in many cases a mixture of measures, need to be taken to ensure particular groups are able to take advantage of employment and training opportunities involving a multi agency approach. Where ever possible, those targeted for positive action measure should have the opportunity to influence the design of proposed activities. Access to the labour market, vocational training and education should also be made available for the re-integration of victims following the EU Action Plan on Trafficking in Human Beings<sup>185</sup>.

**Objective 2:** *Increase the numbers of women, BME people and disabled people, securing training and employment in higher paid and higher skilled sectors and self-employment*

5.21 Sustained economic advances can only be achieved if previously excluded groups secure access to higher level training and ultimately higher level jobs. This can partly be achieved by ensuring equal access to business support measures, access to funds and advice, home reconciliation strategies by employers, equality training for providers and a supportive physical environment that offers ease of access, safety and childcare. For members of excluded groups to take full opportunity of the increased access offered by the programme it will be important for both business and training organisations to take account of their needs, and in turn allow them to make the fullest possible contribution to the region's economy.

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<sup>185</sup> EU Action Plan on Trafficking in Human Beings:  
[http://europa.eu.int/comm/justice\\_home/fsi/crime/trafficking/fsi-crime-human-trafficking-en.htm](http://europa.eu.int/comm/justice_home/fsi/crime/trafficking/fsi-crime-human-trafficking-en.htm)

**Objective 3:** *Challenging occupational segregation by increasing the numbers of women and men training or retraining in non-traditional areas, focusing on those areas where there are skills shortages.*

5.22 Women still face both horizontal and vertical segregation. The focus will be on combating gender stereotypes from an early age, providing awareness training to teachers and students, and encouraging young women and men to explore non-traditional educational paths. It is as important to facilitate women's entry into non-traditional sectors, as it is to promote men's presence in sectors traditionally occupied by women. Particular attention should be given to facilitating women's entry into science, engineering, construction, ICT and Management.

**Objective 4:** *Increase the numbers of employers and training organisations to develop equality and diversity strategies, including monitoring systems and methods for feeding in improvements.*

5.23 Evidence from across Europe shows that groups of people who are most frequently the victims of discrimination are likely to experience the greatest difficulties in accessing the labour market<sup>186</sup>. The development of good equality structures and practices will increase the ability to harness and develop the skills and talents of all those able to enhance the economic wealth of the region. For example, employers, training and education providers, and business advisors should develop their own diversity strategies and training that recognise the need to develop flexible work and training delivery methods, child and elder care support, and accessible environments. It will also be important to drive forward the recognition that work-home reconciliation applies equally to men as it does to women. Monitoring of equal opportunities and diversity strategies are crucial, as is a formal mechanism to build in improvements. Combating prejudice and discrimination will promote wider social participation, particularly employability.

## **Operational Strategy**

5.24 The Managing Authority is committed to ensuring that gender equality and equal opportunities are promoted in the preparation, implementation, monitoring and evaluation of the Operational Programme. Equally, the Managing Authority will strive for a balanced participation of women and men in the management and implementation of the operational programme at local, regional and national level. Gender and equality mainstreaming i.e. ensuring the integration of the gender perspective at all stages will be promoted alongside specific actions for women and other groups. Accessibility for disabled persons shall be considered in defining the operations to be supported by the Funds and in the various stages of implementation.

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<sup>186</sup> Commission of the European Communities 1999/564

5.25 Each project supported under the programme will be expected to contribute to the relevant equal opportunities objectives and to adopt the relevant indicators of equality of opportunity set out in the indicator tables for Chapter 4 in respect of each Priority. Specific activities to support the implementation of the Equal Opportunities theme will include:

- specialist advice, including equal opportunities assessments, will be available at an early stage to ensure the integration of equal opportunities objectives into project plans;
- specialist advice to projects on equal opportunities mainstreaming issues, provided at early and ongoing stages in the process;
- activity level guidance together with best practice case study examples that will provide specific information on how sponsors can address equal opportunities within their project plans;
- equal opportunities targets integrated into priorities acting as a lever to encourage projects to contribute. See Chapter 4 for specific priority targets;
- regular monitoring of progress, allowing for early intervention if necessary (see Chapter 6);
- update reports to PMC and other stakeholders;
- continued involvement of the external Cross Cutting Themes Group; and
- WEFO encouraging key equality organisations to be involved in supporting an effective network of specialist support.

## **Environmental Sustainability**

### *Rationale*

5.26 Inclusion of environmental sustainability as a cross-cutting theme will help to ensure that economic development will not adversely impact on the environment. It will also promote the potential of the environment as an economic driver. This is identified in the Integrated Guidelines for Growth and Jobs, particularly in relation to the sustainable use of resources.

5.27 A healthy environment is essential for the quality of life of the people of Wales and for a healthy economy. A high quality, attractive environment will play a key role in attracting and retaining people to live and work in Wales. It underpins Wales' tourist industry with its turnover of £2.3 billion, and the 117,000 full time equivalent jobs in Wales associated with the use, management and appreciation of the natural

environment<sup>187</sup>. The direct and indirect effect of this employment and other spin-off jobs generates goods and services worth £8.8 billion to Wales each year and 9% of Welsh GDP<sup>188</sup>. The environment is inextricably linked to the economic health of Wales.

5.28 The key environmental issues affecting the region are:

- climate change caused largely by the burning of fossil fuels which will increase sea levels and cause an increase in extreme weather events;
- a relatively poor transport infrastructure with a corresponding reliance on private vehicles;
- a high dependency on fossil fuels as an energy source and low level of renewable energy;
- low rates of reuse and recycling of waste and an inadequate waste management infrastructure;
- potential deficits in some water supply zones;
- diffuse pollution from agriculture, acid precipitation and other sources;
- threats to fisheries from pollution and unsustainable fishing practices;
- a high quality landscape although some areas are blighted by historic industry;
- extensive areas designated for nature conservation although biodiversity and habitats are under threat from a variety of causes; and
- a rich historic environment.

### *Policy Context*

5.29 The *National Assembly for Wales' Sustainable Development Scheme* sets out its proposals for promotion of sustainable development through all its functions.

5.30 *The Environment Strategy for Wales* forms a key element of delivery of the Assembly's sustainable development duty. It sets out how the specific challenges in relation to the environmental 'leg' of sustainable development (the other 'legs' being social and economic) will be met.

5.31 A key part of *Wales: A Vibrant Economy* is to ensure that programmes and policies support sustainable development. The more efficient use of resources is emphasised, together with encouragement of innovation and technological development that is crucial in shaping a sustainable future. More efficient resource use, reducing environmental risks and promotion of sustainable procurement are key elements of *Making the Connections*, which aims to deliver better public services in Wales.

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<sup>187</sup> Valuing our environment: [http://www.rspb.org.uk/Images/Wales%20valuing%20full\\_tcm5-31051.pdf](http://www.rspb.org.uk/Images/Wales%20valuing%20full_tcm5-31051.pdf)

<sup>188</sup> Ibid.

5.32 The importance of improving awareness and skills relating to sustainable development are identified in the *Welsh Assembly Government's Education for Sustainable Development and Global Citizenship Strategy*. It aims to integrate sustainable development into education of children young people and adults. Environmental Sustainability is one of the three pillars of sustainable development. It is therefore appropriate for the environmental sustainability cross cutting theme to be promoted within the wider concept of sustainable development in the education, training and skills projects supported by the ESF Convergence programme. Developing awareness and skills are essential if people are to properly understand what has to be done to reduce environmental impacts and sustain the environment for future generations.

5.33 The 6th EU Environment Action Programme 2002–2012 sets out the environmental objectives and priorities that are an integral part of the European Community's strategy for sustainable development. Objectives are defined in the programme for tackling climate change, protecting biodiversity, promoting environment and health, the sustainable use of natural resources, and the management of waste. The EU action programme is under-pinned by Community legislation and directives aimed at improving the environment.

### **Environmental Sustainability objectives for the Convergence Programmes**

5.34 There is a clear opportunity for the Convergence Programmes to make a significant contribution to the outcomes identified in Wales and Europe's environmental strategies. This can be achieved within the overall framework of the Lisbon and Gothenburg agenda because of the clear link between a healthy environment, social welfare and a thriving economy.

5.35 The overall environmental sustainability aim and objectives of the Convergence Programmes are set out below. These are in line with the environmental themes and outcomes identified in the *Environment Strategy for Wales*. They are also consistent with the:

- lessons learned from current Structural Funds programmes 2000–2006;
- interventions which will be supported by the programme;
- objectives defined in the European Community's 6th Environmental Action programme.

5.36 The overall aim is to enhance the environmental assets within West Wales and the Valleys, while promoting the sustainable use of the environment for social and economic benefit. The objectives defined below will be promoted in two ways by ESF supported projects. Firstly, by the project focussing on, or integrating, the environmental sustainability objectives into education and training packages, and secondly, by taking direct action in the way the project is implemented to reduce direct effects on the environment such as by improving resource efficiency and encouraging sustainable transport.

**(1) Reducing emissions of greenhouse gases to help limit the extent of climate change and help to adapt to its effects**

5.37 Training and education programmes should raise awareness of the causes and effects of climate change, how greenhouse gas emissions can be reduced and how to adapt to the consequences of climate change. Specialist skills training could be directed at specific climate change issues.

**(2) Promoting sustainable transport**

5.38 Direct action should be taken to promote sustainable transport through project delivery mechanisms which reduce the need for travel or promote sustainable forms of transport. The effects of transport on the environment and human health and the principles of sustainable transport should be promoted through education and training programmes. Specialist training could be designed to address specific transport issues that aim to reduce its impact such as emissions to air and transport congestion.

**(3) Promoting the efficient use of natural resources**

5.39 The sustainable management of the natural resources in the region for social and economic benefit will be promoted. Education and training programmes should promote sustainable waste management within the principles of waste minimisation, reuse, recycling and safe disposal. Specialist skills should be developed to address specific resource efficiency issues.

**(4) Promoting the sustainable management of the land, sea and inland waters**

5.40 A high level of protection will be provided for designated conservation areas and a formal undertaking is given that no sites protected under Natura 2000 will be harmed by projects funded under the Convergence Programmes. Specialist training should be supported to improve skills of sustainable management of the natural environment. Integration of this objective into broader training and education programmes to help people understand the natural environment and the how it should be managed sustainably.

**(5) Improving the quality of the local built environment and opportunities to access green space**

5.41 High standards of environmental performance of sites and premises will be supported through specialist skills training related to the design and management of buildings. Education and training can also help individuals understand how their actions can contribute to energy efficiency and reducing the use of material resources. The health and recreational benefits of access to green space and biodiversity should be promoted.

**(6) Minimising the risk of pollution and other environmental hazards thereby safeguarding the health of communities and the environment.**

5.42 Minimising the risk of pollution and other environmental hazards should be supported through specialist training and by making individuals aware of the action that they can take to reduce risks and safeguard the health of the community.

*Operational Strategy*

5.43 Each project that will be supported by the programme will have to contribute to the relevant environmental sustainability objectives. The environmental sustainability targets that have been integrated into the Priorities (Chapter 4) will be a strong lever to encourage projects to contribute to the environmental sustainability objectives. Specific activities to support the implementation of the environmental sustainability theme will include:

- specialist advice available at an early stage to ensure that opportunities to contribute to the environmental sustainability objectives are integrated into project plans;
- guidance available to show project sponsors how they can integrate the appropriate activities into project plans. These activities would include the integration of environmental sustainability into mainstream skills programmes and the delivery of specialist skills training aimed at promoting economic growth in the environmental sector;
- support will be provided to project sponsors by the environmental sustainability advisers within WEFO and the competent environmental authorities (Environment Agency and Countryside Council for Wales) will participate within partnerships;
- monitoring of environmental sustainability indicators and targets and the provision of annual reports to the PMC on progress in achieving the environmental sustainability objectives;

5.44 An analysis has been carried on the intended impact of supported activities on the Programme's environmental sustainability objectives. This is represented in the form of a matrix available at Annex E.

5.45 The indicators for the Environmental Sustainability cross cutting theme are included within the main Indicators and Targets tables, in each of the Priorities in Chapter 4.

## **Chapter 6: Implementing Provisions**

### **Introduction**

6.1 This chapter sets out the implementation provisions for the West Wales and the Valleys Convergence ESF Operational Programme. Information is provided in accordance with Council Regulation (EC) No 1083/2006 of 11 July 2006, which lays out the general provisions on the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. Further information is provided in accordance with Regulation (EC) No 1081/2006 on the ESF, Regulation (EC) No 1080/2006 on the ERDF, and Regulation (EC) No 1828/2006 setting out the implementation rules.

6.2 The following text does not substitute for the Council Regulations 1083/2006, 1080/2006, 1081/2006 or Commission Regulation 1828/2006 and in instances of uncertainty or conflict, these Council Regulations prevail over the Implementing provisions. The provisions will be supplemented by any decisions, rule and guidance adopted pursuant to Council Regulation (EC) No 1083/2006<sup>189</sup>.

### **Designation Of Authorities**

6.3 The programme will be managed in accordance with the principle of sound financial management. Responsibilities for management of the programme by the Welsh Assembly Government give full recognition to this principle and the need for appropriate separation of functions. In particular:

- appropriate separation between the functions of the Managing Authority, Certifying Authority and Audit Authority in accordance with Article 58 of Council Regulation 1083/2006; and
- appropriate separation between the verification functions identified in Article 13 of Commission Regulation 1828/2006 and the Welsh Assembly Government as a beneficiary under the Programme.

6.4 The Welsh European Funding Office (WEFO) is part of the Welsh Assembly Government (WAG) and, as Managing Authority, has overall co-ordination responsibility for management and control issues for the 2007-2013 EU funded programmes. The WEFO Director reports through the Director of Economy and Transport (DE&T) to the Permanent Secretary of WAG. The WEFO Director is responsible for the Managing Authority and Certifying Authority. The Audit Authority reports through an independent line through the Internal Audit Services to the Finance Director of WAG. In order to address any conflict of interest arising from the fact that the WEFO Director reports to the Director of a WAG Department which is also a Structural Funds beneficiary (i.e. DE&T), it has been agreed that the WEFO

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<sup>189</sup> All Articles referred to relate to Council Regulation (EC) No. 1083/2006 of 11 July 2006 – General Provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, except where otherwise stated. In terms of legal basis, this text does not substitute the above regulation.

Director will have an independent reporting line to the Permanent Secretary of WAG on issues where arbitration is necessary. The organogram at Annex F provides an overall picture of the key responsibilities and reporting lines within the Welsh Assembly Government.

### *Managing Authority*

6.5 The Managing Authority for the West Wales and the Valleys ESF Convergence programme will be the Welsh Ministers. It is anticipated that the management functions of the Managing Authority will be exercised by staff of WEFO under the authority of the relevant Welsh Minister.

6.6 There is a clear separation of functions within WEFO and organisational charts can be found on the WEFO website<sup>190</sup>. Within twelve months of the approval of the Operational Programme a description of the systems, organisation and procedures of the Managing Authority will be produced in accordance with Article 71.

6.7 In accordance with Article 60, and the principles of sound financial management, the Managing Authority will be responsible for:

- ensuring that operations are selected for funding in accordance with the criteria applicable to the operational programme and that they comply with applicable Community and national rules for the whole of their implementation period;
- ensuring that, for the purposes of the selection and approval of operations under Article 60 (a), beneficiaries are informed of the specific conditions concerning the products or services to be delivered under the operation, the financing plan, the time-limit for execution, and the financial and other information to be kept and communicated. It shall satisfy itself that the beneficiary has the capacity to fulfil these conditions before the approval decision is taken;
- carrying out verifications under Article 60(b), to cover administrative, financial, technical and physical aspects of operations, as appropriate. Verifications shall ensure that the expenditure declared is real, that the products or services have been delivered in accordance with the approval decision, that the applications for reimbursement by the beneficiary are correct and that the operations and expenditure comply with Community and national rules. They shall include procedures to avoid double-financing of expenditure with other Community or national schemes and with other programming periods. Verifications shall include the following procedures:
  - administrative verifications in respect of each application for reimbursement by beneficiaries;

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<sup>190</sup> Link to organisational charts: <http://www.wefo.wales.gov.uk/default.asp?action=page&ID=84>

- on-the-spot verifications of individual operations.
- ensuring that on-the-spot verifications are carried out on a sample basis for an Operational Programme. The Managing Authority shall keep records describing and justifying the sampling method and identifying the operations or transactions selected for verification. The Managing Authority shall determine the size of the sample in order to achieve reasonable assurance as to the legality and regularity of the underlying transactions, having regard to the level of risk identified by the Managing Authority for the type of beneficiaries and operations concerned. It shall review the sampling method each year;
- establishing written standards and procedures for the verifications carried out and keeping records for each verification, stating the work performed, the date and the results of the verification, and the measures taken in respect of irregularities detected;
- ensuring adequate separation of functions in accordance with Article 58 (b) for arrangements for the verifications, where the body designated as the Managing Authority is also a beneficiary under the Operational Programme;
- ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the Operational Programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- ensuring that evaluations of the Operational Programme are carried out according to Article 47;
- setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90;
- ensuring audit trails are adequate in line with the Implementing Regulation. For the purposes of Article 60 (f), an audit trail shall be considered adequate where, for the Operational Programme concerned, it complies with the following criteria:
  - it permits the aggregate amounts certified to the Commission to be reconciled with the detailed accounting records and supporting documents held by the Certifying Authority, Managing Authority and beneficiaries as regards operations co-financed under the Operational Programme;

- it permits verification of payment of the public contribution to the beneficiary;
  - it permits verification of application of the selection criteria established by the Programme Monitoring Committee for the Operational Programme;
  - it contains in respect of each operation, as appropriate, the technical specifications and financing plan, documents concerning the grant approval, documents relating to public procurement procedures, progress reports and reports on verifications and audits carried out.
- ensuring that the Certifying Authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
  - the reporting and monitoring procedure for irregularities and for the recovery of amounts unduly paid in accordance with Article 58 of Regulation (EC) 1083/2006. This will ensure the protection of the European Communities financial interests (Regulations (EC) No.'s 2988/95 and 2185/96).
  - guiding the work of the Programme Monitoring Committee and providing it with the documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific goals;
  - drawing up and, after approval by the Monitoring Committee, submitting to the Commission the annual and final implementation reports;
  - ensuring compliance with information and publicity requirements laid down in Article 69; and
  - providing the Commission with information to allow it to appraise major projects.

## **Certifying Authority**

6.8 The Certifying Authority for the West Wales and the Valleys ESF Convergence programme will be the Welsh Ministers. It is anticipated that the the management functions of the Certifying Authority will be exercised by staff of the Welsh European Funding Office (WEFO) under the authority of the relevant Welsh Minister.

6.9 There is a clear separation of functions within WEFO. Within WEFO, the functions of the Managing Authority and Certifying Authority will be functionally separate, with a clear division of responsibilities and management arrangements. An organisational chart is available on the WEFO website<sup>191</sup>. Within twelve months of the approval of the Operational Programme a description of the systems,

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<sup>191</sup> Link to organisational charts: <http://www.wefo.wales.gov.uk/default.asp?action=page&ID=84>

organisation and procedures of the Certifying Authority will be produced in accordance with Article 71.

6.10 In accordance with Article 61 the Certifying Authority will be responsible for:

- drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- certifying that:
  - the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
  - the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules;
- ensuring for the purposes of certification that it has received adequate information from the Managing Authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;
- taking account for the purposes of certification of the results of all audits carried out by or under the responsibility of the Audit Authority;
- maintaining accounting records in computerised form of expenditure declared to the Commission;
- keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union, prior to the closure of the Operational Programme by deducting them from the next statement of expenditure; and
- sending to the Commission a statement by 31 March each year as from 2008, in the format in Annex XI of the Implementing Regulation, identifying for each priority axis of the Operational Programme:
  - the amounts withdrawn from statements of expenditure submitted during the preceding year following cancellation of all or part of the public contribution for an operation;
  - the amounts recovered which have been deducted from these statements of expenditure; and
  - a statement of amounts to be recovered as at 31 December of the preceding year, classified by the year in which recovery orders were issued.

## **Audit Authority**

6.11 The Audit Authority for the West Wales and the Valleys ESF Convergence programme will be the Welsh Ministers. It is anticipated that the management functions of the Audit Authority will be exercised by staff of the Internal Audit Service (IAS) under the authority of the relevant Welsh Minister.

6.12 IAS is functionally independent of WEFO and will be responsible for verifying the effective functioning of the management and control system. The IAS will offer an opinion on the systems of management and control. IAS staff work to internationally accepted audit standards and consist mainly of qualified or part qualified auditors or accountants. Within twelve months of the approval of the Operational Programme a description of the systems, organisation and procedures of the Audit Authority will be produced in accordance with Article 71.

6.13 In accordance with Article 62, the Audit Authority will be responsible for:

- ensuring that audits are carried out to verify the effective functioning of the management and control systems of the Operational Programme;
- ensuring audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- presenting to the Commission within nine months of the approval of the Programme an audit strategy covering: the bodies which will perform the audits referred to in the two bullets above; the methods to be used; the sampling method for audits on operations; and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period;
- by 31 December each year from 2008 to 2015:
  - submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12 month period ending on 30 June of the year concerned in accordance with the audit strategy of the operational programme and reporting any shortcomings found in the systems for the management and control of the programme. The first report to be submitted by 31 December 2008 shall cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 shall be included in the final control report supporting the closure declaration;
  - issuing an opinion, on the basis of the controls and audits that have been carried out under the responsibility of the Audit Authority, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular;

- submitting, where applicable, a declaration for partial closure assessing the legality and regularity of the expenditure concerned;
- submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report; and
- ensuring that audit work takes account of internationally accepted standards

### **Intermediary Bodies**

6.14 The Managing and Certifying Authorities will carry out all tasks as outlined in the above sections and no Intermediary Bodies will be employed as described in Article 59(2).

### **Partnership**

6.15 Sustainable and effective solutions to the challenges facing Wales are increasingly reliant on the direct and active participation of all stakeholders at national, regional and local levels. The Managing Authority is committed to working through good-quality partnerships and networks to rally key stakeholders behind the Lisbon reform agenda so that resources are genuinely focused on growth and jobs.

6.16 In accordance with Article 11, the Managing Authority will work in close co-operation with both the Commission and representative partners at national, regional and local level, including representatives in the economic, social and environmental spheres. This partnership engagement will cover the preparation, implementation, monitoring and evaluation of the Operational Programme.

#### **(a) Preparation of Operational Programme**

6.17 The Wales chapter of the National Strategic Reference Framework (NSRF) and this Operational Programme have been developed in partnership with key stakeholders across all relevant sectors including social partners, equality bodies, higher and further education sector, environment agencies, local authorities, the voluntary and community sector, public and private sectors. The main representative partnership input has been provided through the Post-2006 External Stakeholders Group. This is a broad-based partnership forum which brings together representatives of all the key stakeholders.

6.18 Expert input has also been provided through five workstream groups comprising partners from a wide range of organisations in the public, private and voluntary sectors. In particular the Operational Programme Group advised on the preparation of the programme and contributed to the drafting; the Monitoring and Evaluation workstream advised on the development of the monitoring and evaluation systems, including programme and priority level indicators, and provided oversight of

the ex-ante evaluation process; and the Programme Management Workstream supported the development of the implementation strategy, including the arrangements for Strategic Frameworks. In line with the principle of transparency, notes of the meetings of the Post 2006 External Stakeholders Group and the various workstream groups have been published on the WEFO web site<sup>192</sup>.

6.19 A public consultation on the Convergence programme took place over the period July to October 2006, supported by regional events. A full list of consultees is given at Annex A. A short summary of the consultation responses is provided as part of the Strategy Chapter (Chapter 3) and a more detailed analysis prepared by CRG Research Ltd has been published, alongside individual consultation responses, on the WEFO web site.

### **(b) Implementation of Operational Programme**

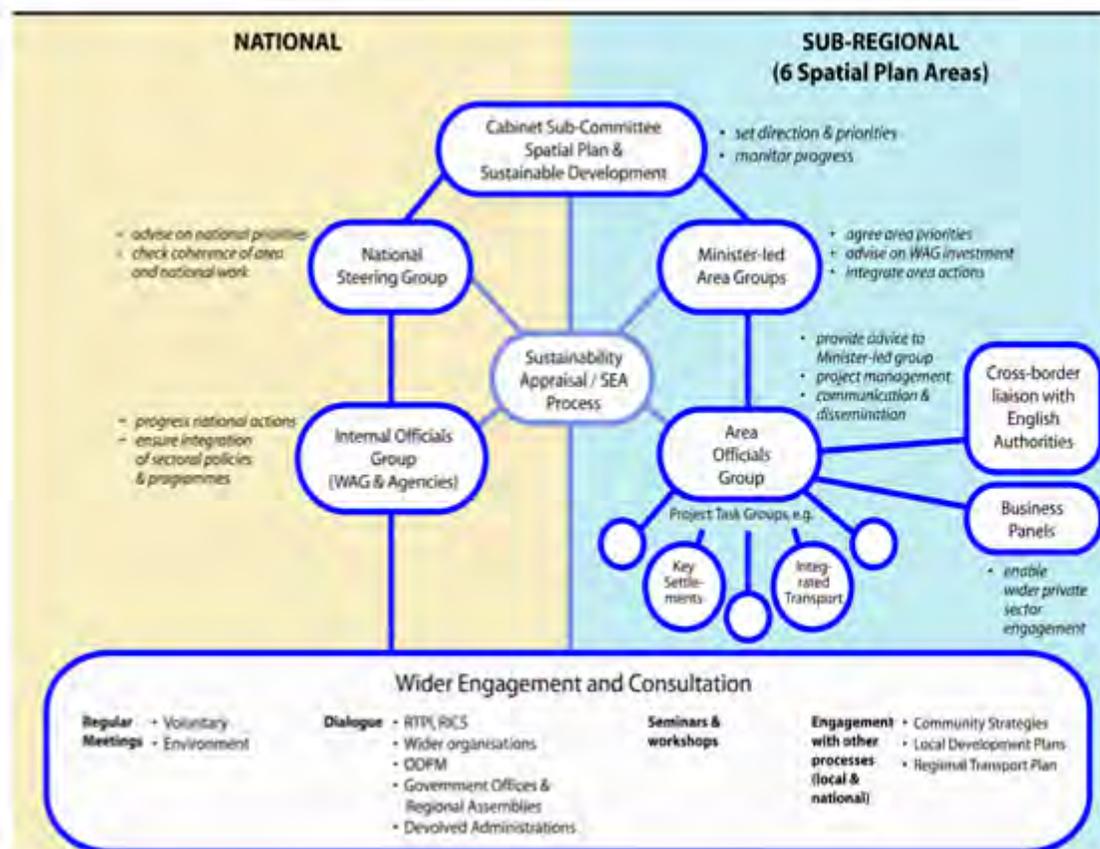
6.20 The active involvement of partners in the implementation of the Operational Programme is a cornerstone of the overall implementation strategy. The Programme Monitoring Committee (see paragraphs 6.26 – 6.31 and 6.34 – 6.38) will work with the Managing Authority to ensure the effectiveness and quality of the implementation of the Operational Programme. In accordance with Article 11, the Programme Monitoring Committee will be appointed by the Managing Authority and will include representative and expert partners at national, regional and local level in the economic, social, environmental and other spheres.

6.21 The detailed planning of operations for this Programme will be focused by means of a number of “Strategic Frameworks” (see paragraphs 6.39 – 6.48). These frameworks are operational strategies for delivering on the various themes within the Operational Programme. They will be used, along with any other selection and prioritisation criteria established by the Programme Monitoring Committee in line with Article 65(a), to guide the Managing Authority in the selection of projects. All of the frameworks will cover the spatial aspects of delivery, and a number of them will be spatially driven, linked to the Wales Spatial Plan areas and developed through partnership at a local and sub-regional level. These groups are chaired by a Minister of the Welsh Assembly Government and include leaders of local authorities, representatives of business, trades unions, equality organisations, the voluntary sector, environmental organisations, Higher Education and Jobcentre Plus.

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<sup>192</sup> At [www.wefo.wales.gov.uk](http://www.wefo.wales.gov.uk)

**Figure 26. Wales Spatial Plan Collaboration and Implementation Structures**



6.22 The thematically driven Strategic Frameworks will be developed and implemented through active engagement with partnerships relevant to the themes that they cover. Many of these will be existing, well-established partnerships (e.g. the Wales Employment Advisory Panel, Future Skills Wales Steering Group, Skills for Business Network etc). For some frameworks there will be a need to establish new bespoke arrangements. The arrangements for partnership engagement will provide an open, efficient and effective means of gathering stakeholder views on and input into the development and future refinement of Strategic Frameworks. These arrangements will also facilitate genuine constructive challenge.

6.23 Strategic Frameworks will be posted in draft form on the WEFO website for comment prior to their agreement, allowing for the widest possible engagement of individuals and organisations at all levels. The website will also provide a space for prospective project sponsors to publicise brief details of their project ideas with a view to encouraging partnership and collaboration at a project level.

6.24 The Managing Authority will ensure that each Strategic Framework is developed and kept under review in partnership with relevant stakeholders. The partnership arrangements for each framework will require the agreement of the Managing Authority and will be described clearly within the framework documents for the information of all stakeholders.

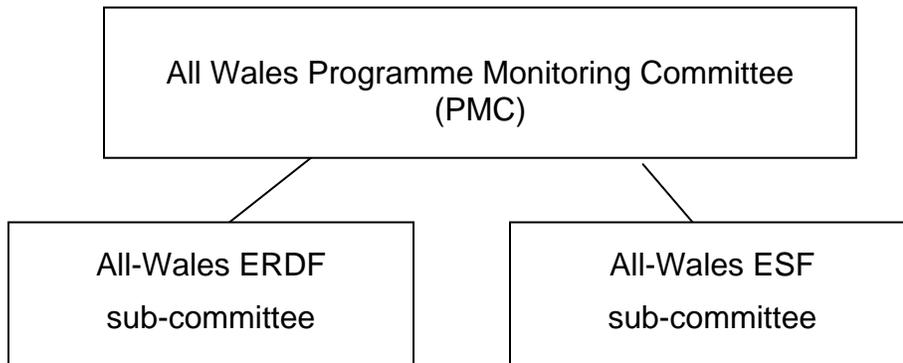
6.25 In accordance with Article 5 of the ESF Regulation [1081/2006], the Managing Authority will promote good governance and partnership, including by encouraging the participation of social partners in programme activities. This includes allocating an appropriate amount of ESF resources to capacity building actions as defined in Article 5(3). The Managing Authority will also encourage participation and access by voluntary and community organisations, particularly in projects that promote social inclusion, gender equality and equal opportunities.

### **(c) Monitoring of the Operational Programme**

6.26 In accordance with the provisions of Article 63, a single Programme Monitoring Committee (PMC) will be established for the two Convergence (ERDF and ESF) and the two Regional Competitiveness (ERDF and ESF) programmes in Wales. This will help to maximise the synergies between the respective programmes and promote complementary action across programme boundaries. The single PMC will support the effective transfer of best practice and lessons learned and facilitate a coherent all-Wales approach to issues such as information and publicity, research and evaluation, cross-cutting themes, territorial co-operation and the promotion of innovation. In looking for such integration the Managing Authority recognises that there will be a need for robust arrangements to be in place to ensure that each of the four Programmes is effectively monitored. It is planned to establish two standing sub-committees responsible for monitoring and advising the main PMC on the performance of each of the ERDF and the ESF programmes respectively. The detailed tasks these sub-committees will perform, along with the membership, will be for the full PMC itself to determine and elaborate within the rules of procedure.

6.27 The PMC, at its first meeting, will be invited to discuss and agree the membership and functions of the two standing committees and decide the level at which its responsibilities will be discharged by them in accordance with the European Regulations. During the programming period 2007–2013, the PMC may decide to establish other sub-groups, either of a task and finish variety or on a more permanent basis. Where necessary the Committee may propose to the Managing Authority that other experts or stakeholder groups may be appointed to advise such sub-committees. The proposed model is given at Figure 27:

**Figure 27. Proposed Committee Structure**



6.28 The PMC shall comprise 24 Members plus a Chair. The Chairs of the PMC and its standing committees will be representatives of the Managing Authority. The European Commission, staff of WEFO and, where appropriate, the EIB and EIF shall participate in an advisory capacity in the PMC and its committees.

6.29 In line with the provisions of Article 11, the majority of members will be drawn from principal regional partners and statutory bodies as follows:

**Table 32 - Representative Membership of PMC by Sector Organisation**

<b>Sector Organisation</b>	<b>Members</b>
Local Government (1 West Wales & the Valleys; 1 East Wales)	2
Welsh Assembly Government: Enterprise, Innovation and Networks	1
Welsh Assembly Government: Education and Lifelong Learning	1
Welsh Assembly Government: Environment, Planning and Countryside	1
Higher Education	1
Further Education	1
Jobcentre Plus	1
Trade Unions	1
Private Sector – Business	1
Voluntary Sector	1
Social Economy	1
Environment Agency/Countryside Council for Wales	1
Commission for Human Rights and Equality	1
<b>Total</b>	<b>14</b>

6.30 The balance of the PMC will be made up of 10 experts selected by the Assembly Government following an open competition subject to independent scrutiny. These experts will bring a range of abilities, experiences and qualifications to the functions of the PMC which will complement the qualities of the partnership representatives. These experts will be remunerated in line with the Welsh Assembly Government's normal practice, with payment from domestic sources of funding and not from the Structural Funds.

6.31 We are proposing a minimum target of 40% representation of men and 40% women on the All-Wales PMC, with flexibility over the remaining 20%. We are looking to partner organisations to support this target. Appropriate procedures will also be put in place to ensure complementarity between the ESF and ERDF programmes and the RDP and EFF.

#### **(d) Evaluation of the Operational Programme**

6.32 The Managing Authority will build upon the good practice of the 2000-06 Programme by setting up an Evaluation Advisory Group (EAG). The EAG will be chaired by a senior Managing Authority official. Membership will consist of experts drawn from partner organisations including the European Commission and other stakeholders. The group will also include technical specialists from the Office of the Chief Social Researcher, Economic Advice Division and the Statistical Directorate within the Welsh Assembly Government.

6.33 EAG will advise and assist in designing the Monitoring and Evaluation Plan; agreeing research designs; quality controlling final reports; and ensuring that findings are disseminated widely. EAG will have responsibility for engaging technical specialists when required to assist with their work.

#### **Duties of the Programme Monitoring Committee**

6.34 The Managing Authority will provide the secretariat function for the PMC and its meetings. The PMC will draw up its own rules of procedure and agree them with the Managing Authority. The PMC's duties are defined in Articles 65 and 66 of Regulation (EC) 1083/2006.

6.35 In accordance with EU Regulation [1083/2006] Article 63 (2), at its first meeting, the PMC shall draw up and approve detailed provisions for the proper and efficient discharge of the duties assigned to it, including the frequency of its meetings (with a minimum requirement of two meetings per year) and the membership and functions of the proposed two standing sub-committees.

6.36 In accordance with EU Regulation [1083/2006] article 65, the PMC and its sub-committees as appropriate shall satisfy itself as to the effectiveness and quality of the implementation of the Operational Programme. The tasks it will undertake shall include:

- the criteria for selecting the operations to be financed and any revision of those criteria in accordance with programming needs; and
- arrangements for reviewing progress towards achieving the specific objectives and targets of the Operational Programme on the basis of documents submitted by the Managing Authority.

6.37 To this end, and in addition to the above functions it shall:

- monitor progress towards achieving the physical and financial indicators and targets set for the Operational Programme and each Priority axis and examine the evaluations referred to in Article 48(3).
- consider and approve the annual and final implementation reports on implementation referred to in Article 67 before these reports are submitted to the European Commission;
- be informed of the annual control reports and of any comments the Commission may make after examining these reports or relating to these reports;
- propose to the Managing Authority any revision or examination of the Operational Programmes aimed at improving their management, including financial management;
- consider and approve any proposals to amend the contents of the approved Operational Programmes.

6.38 To assist the PMC and subcommittees where appropriate in discharging its statutory responsibilities as identified above the Managing Authority will also ensure that the Committee:

- receives information on commitments, expenditure and outputs (planned and realised) for each theme and individual Priorities, at least on an annual basis.
- agrees the use of Strategic Frameworks by the Managing Authority as part of the criteria for the selection of operations. Advises on the alignment of Strategic Frameworks with the objectives and targets in the Operational Programme, including any subsequent modifications, prior to their approval by the Managing Authority;
- considers the Monitoring and Evaluation Plan of the Managing Authority, and any amendments to the Monitoring and Evaluation Plan, as referred to in Article 48(1);

- is consulted on the Innovative Actions Strategy; and
- receives annual reports on the progress of the Cross Cutting Themes.

## **Implementation and Delivery Arrangements**

### *Planning*

6.39 Programme evaluations have identified that overall impact can be improved by ensuring more ‘joined up’ approaches to project activity and stronger alignment with headline programme objectives. They have also suggested the need for a stronger emphasis on sub-regional collaboration and a simplification of programme structures and implementation arrangements. Furthermore, in the consultation on the Post 2006 programme, there was widespread agreement on the need to adopt a more strategic approach in future to the use of Structural funds.

6.40 The Managing Authority will promote more strategic approaches to implementation, including through the introduction of **Strategic Frameworks**. These frameworks will be Operational Strategies that take as their starting point the Priorities and themes within the Operational Programme. They will help to ensure the focus and concentration of effort needed to optimise use of the structural funds; they will encourage partnership and collaboration and will help establish operational links and co-ordination between projects.

6.41 A Strategic Framework is defined as:

***A plan to achieve a particular strategic purpose by means of project interventions that are strategically linked.***

6.42 The Frameworks will be planning documents and not financial instruments. Projects will be the “currency” within the Operational Programme and responsibility for project selection, prioritisation and approval will rest with the Managing Authority. Frameworks will be drawn up in accordance with guidance issued by the Managing Authority and will be used by them in the process of selecting and prioritising projects.

6.43 The Frameworks will provide a clear strategic overview and guidance on the fields of Intervention and the kinds of projects and delivery arrangements that will best deliver on the relevant Theme and Priority. They will identify important strategic connections with other Frameworks and, where there is potential for perceived “overlap”, they will explain clearly, for the benefit of prospective sponsors, which kinds of project should be covered by which Framework. They will also identify the scope within their field for Innovative Actions and for Transnational Co-operation (see paragraph 6.53). An indicative list of Strategic Frameworks for the Convergence Programmes is provided at Annex G.

6.44 The development of Strategic Frameworks will be co-ordinated by Welsh Assembly Government Departments and the Wales Spatial Plan (WSP) Area Groups. They will ensure a good alignment between the EU policies for Growth and Jobs and relevant National policies and strategies including the Wales Spatial Plan.

6.45 Dedicated Spatial European Teams (SETs) will be established to support the work of the Spatial Plan Area Groups in co-ordinating the spatially driven Strategic Frameworks. They will also assist thematic Strategic Framework co-ordinators with partnership engagement at a local and sub-regional level. Strategic Framework co-ordinators will also have a role to play, alongside Spatial European Teams and others involved in supporting prospective sponsors, in discussing early ideas with potential project applicants and giving them “without prejudice” views on their likely fit within a framework. The views of Framework Co-ordinators, along with other experts, will be sought by the Managing Authority whenever needed during the course of considering project submissions; but the Managing Authority will make decisions on projects independently on the basis of published Framework content and other PMC-approved selection and prioritisation criteria.

6.46 In agreeing the Strategic Frameworks, the Managing Authority will ensure that the partnership arrangements set out within them provide for a substantial level of “challenge” from the partners and stakeholders engaging in the framework development. As the programme progresses, the results of monitoring and evaluation may highlight the need for adjustment to the framework strategies; therefore it will be necessary to periodically review, adjust and refine their content in consultation with the relevant partnerships. Framework Co-ordinators will remain responsible for co-ordinating this ongoing maintenance of the Frameworks throughout the life of the programme period, which they will continue to do with the active engagement of their partnerships. The responsibilities of Framework Co-ordinators are set out at Annex H.

6.47 Once a Framework is deemed by the Co-ordinator and by the Managing Authority as fit for use, it will be presented to the PMC. Subject to the PMC’s advice on its alignment with the Operational Programme and their agreement that it is fit for use as one of the project selection and prioritisation criteria, the Framework will then be agreed by the Managing Authority. Project fit with the Framework will be one of the project selection and prioritisation criteria; other criteria will be approved by the PMC along with the general eligibility criteria to apply to all projects. Figures 28 & 29 illustrate the role of the PMC in this respect and the way in which all criteria will be applied in the selection and prioritisation of projects for approval of grant.

Figure 28. Setting selection and prioritisation criteria

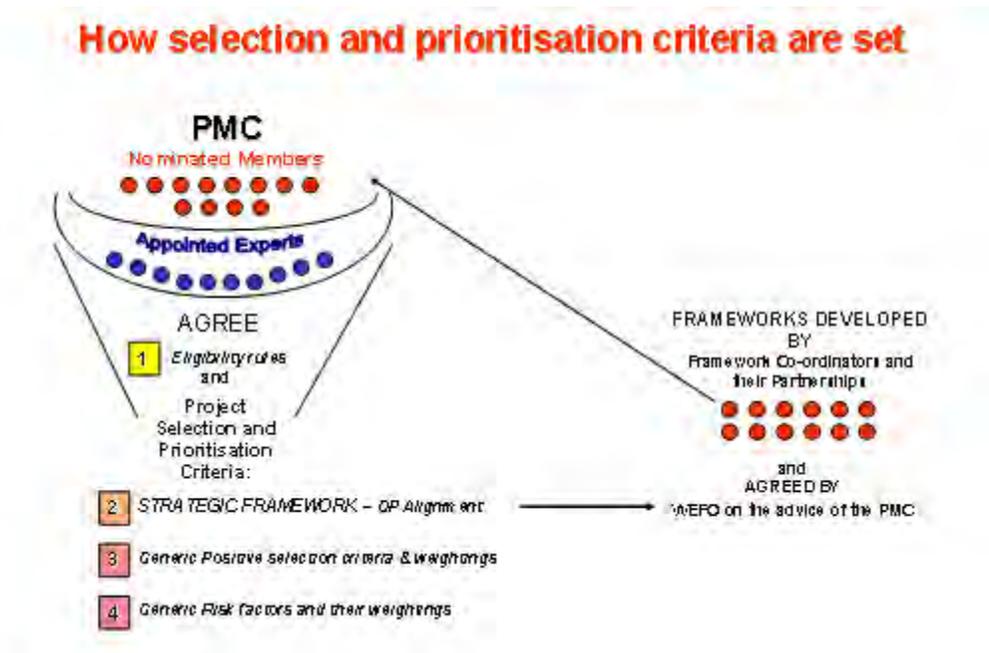
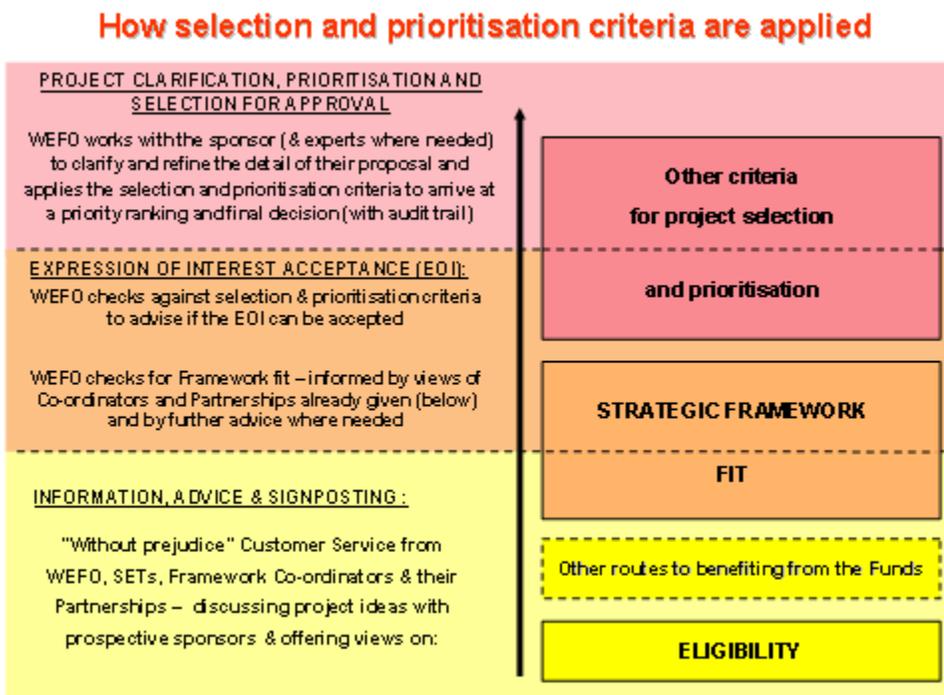


Figure 29. Applying selection and prioritisation criteria



6.48 Once agreed by the Managing Authority, a Framework will be posted on the website, as “AGREED”, for the information and guidance of prospective sponsors and other stakeholders. It will also be used by the Managing Authority Project Development Officers and Priority Controllers in their consideration of Expression of Interest (EOI) requests and in the subsequent selection and prioritisation of projects.

### **Project handling, selection and prioritisation arrangements**

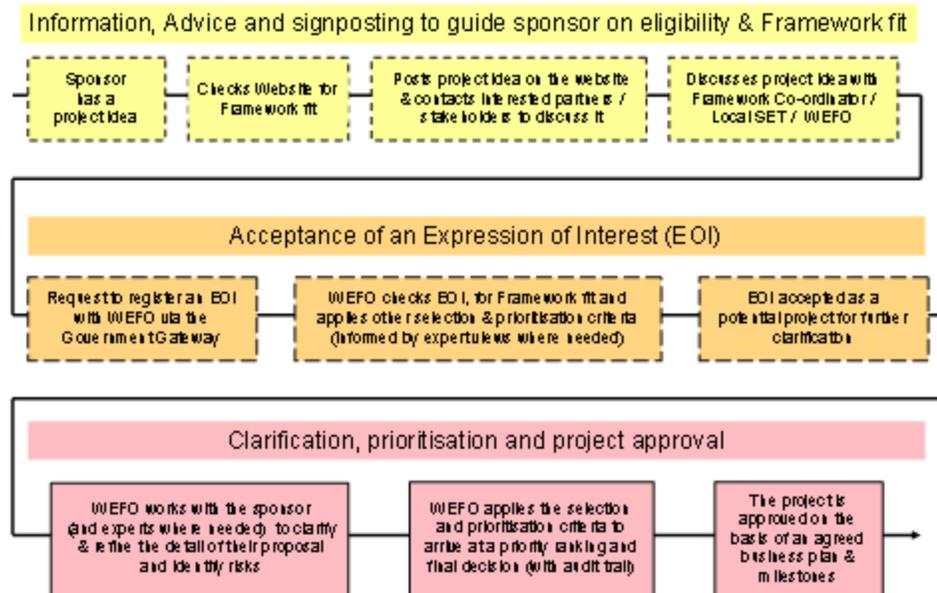
6.49 The Managing Authority will ensure that organisations interested in benefiting from funding through the Operational Programme understand the nature of the programme and the route they need to follow in order to secure a grant. The Managing Authority will provide interactive website facilities to enhance the engagement with stakeholders and prospective sponsors and to enable sponsors to submit their project proposals and their claims electronically.

6.50 The Managing Authority will maintain a Helpline to handle enquiries from prospective sponsors and other stakeholders and to provide initial information, advice and signposting. This will be an important enhancement to previous arrangements and will ensure a good quality of customer service for prospective sponsors and other stakeholders.

6.51 The arrangements for the delivery of the Operational Programme will be straightforward. Strategic Frameworks will provide Operational Strategies to guide the nature of interventions, which will be delivered through projects. The Managing Authority will approve those projects directly and does not envisage the use of Global Grants as defined by Article 42 of Regulation (EC) [1083/2006].

6.52 In addition to the fundamental criteria of eligibility under the rules and the criterion of Framework fit, criteria for the selection and prioritisation of projects, covering important aspects of both benefit and risk, will be approved by the PMC. Figure 30 illustrates the route that a prospective project sponsor will take to secure a Structural Fund grant:

**Figure 30. Signposting on eligibility and Framework fit**



6.53 Innovative action projects and projects proposing transnational or inter-regional action will be specifically identified by the Managing Authority at the stage of submission of an Expression of Interest and sponsors will be given specific advice and guidance in relation to their implementation, evaluation and dissemination. The Managing Authority will separately monitor these projects and will report on them to the Programme Monitoring Committee. National eligibility rules will apply to all such projects. In the case of all approved projects, the sponsor will be responsible for delivering and spending against profile to achieve the projected outputs and results.

6.54 If a project of any kind is found at any time to be in breach of any of the following conditions, listed below, then that project sponsor will be liable to claw back of funds by the Managing Authority, and projects which sub-contract all or part of their delivery activity will be liable should any of their sub-contractors be found to be in breach of contract, or responsible for irregularities. Welsh Assembly Government procurement requirements in respect of sub-contracted activity will apply to all projects:

- EU Regulations;
- the National rules set to govern the delivery of the Operational Programme;
- State Aid rules; or
- the specific terms and conditions applied to the project by the Managing Authority in their offer of grant letter.

6.55 The Welsh Assembly Government *Value Wales* Department has established two important websites - *Buy4Wales* <http://www.buy4wales.co.uk> and *Sell2Wales* <http://www.sell2wales.co.uk> - to ensure a wide, open and transparent approach to procurement for public sector contracts. In addition to advertising tendering opportunities, the *Sell2Wales* site offers information, advice and support for organisations seeking to tender for contracts. In discussion with *Value Wales* the Managing Authority have arranged for all EU-funded projects (regardless of the sector to which the sponsor organisation belongs) to advertise their procurement activities through these sites. This will ensure wide, open and assisted access to opportunities for delivering projects approved under the ESF Convergence and all other 2007-13 programmes.

### **Implementation of the Cross-Cutting Themes**

6.56 The Cross-Cutting Themes form an integral part of management of the Programme and projects. Each Priority within the programme will use the CCT objectives within the context of the activities to be funded. Activity level guidance will be prepared together with best practice case study examples that will provide specific information on how project sponsors can address environmental sustainability and equal opportunities within their project plans. Specialist advisers in Environmental Sustainability and Equal Opportunities work within WEFO and will provide support to framework coordinators, project sponsors and partnerships. Specialist advice will also be available through the involvement of key organisations in the region including the Environment Agency, the Countryside Council for Wales and the Commission for Equality and Human Rights. A key objective will be to provide the specialist input at an early stage in the process to maximise take up of opportunities to promote the themes.

6.57 Cross cutting theme targets set at the level of the activities to be supported by the Convergence Programme provide an important driver for encouraging projects to address the Programme's environmental sustainability and equal opportunities objectives. The horizontal integration of both themes will be viewed as an eligible activity for funding support so that it can offset any potential negative impacts (for example negative environmental externalities) or to maximise the opportunities for integration (for example in a more diverse workforce). Matrices have been prepared that show the detailed activities that will be supported under the Priorities and Themes, to achieve horizontal integration – see Annexes D and E.

### **Gender Equality and Equal Opportunities**

6.58 In accordance with EU Regulation [1083/2006] Article 16, and EU Regulation [1081/2006], Article 6, gender equality and equal opportunities and the protection of all persons against discrimination will be promoted in the preparation, implementation, monitoring and evaluation of the ESF Convergence Operational Programme.

6.59 The programme has been developed in partnership with a wide variety of stakeholders and interested parties, including the statutory and representative equality bodies, through an External Stakeholders Group and five expert, partnership – based workstream groups. The WEFO Equality Adviser has been a standing representative at all five workstream groups, [Operational Programme Workstream, Programme Management and Implementation Workstream, Evaluation and Monitoring Workstream, Territorial Co-Operational and Governance and Compliance Workstream]. This has helped to ensure that equality issues have been firmly on the agenda from the start rather than bolted on at a later stage. The Equality Adviser has also provided expert input to discussions on the equality indicators proposed for the new programme.

6.60 In addition to events organised by partners, WEFO has also held four consultation events across West Wales and the Valleys and each of these has included a workshop on the integration of gender equality and equal opportunities. The feedback from these events and the responses to the formal public consultation indicate broad support for the retention of a specific focus on gender equality in employment in the new ESF programme [included as part of ESF Priority 3] and the integration of equal opportunities into all aspects of the programme through its application as a cross-cutting theme.

6.61 All operations co-financed by the Structural Funds must comply with and where appropriate contribute to Community policy and legislation on gender equality and equal opportunities. The Managing Authority is committed to ensuring that gender equality and equal opportunities are promoted in the preparation, implementation, monitoring and evaluation of the Operational Programme. Equally, the Managing Authority will strive for a balanced participation of women and men in the management and implementation of the operational programme at local, regional and national level. Gender and equality mainstreaming i.e. ensuring the integration of the gender perspective at all stages will be promoted alongside specific actions for women and other groups. Accessibility for disabled persons shall be considered in defining the operations to be supported by the Funds and in the various stages of implementation.

6.62 Each project supported under the programme will be expected to contribute to the relevant equal opportunities objectives, and to adopt the relevant indicators of equality of opportunity set out in Chapter 4 in respect of each priority. Specific activities to support the implementation of the Equal Opportunities theme will include:

- Specialist advice including equal opportunities assessments, will be available at an early stage to ensure the integration of equal opportunities into project plans;

- Specialist advice to projects on equal opportunities mainstreaming issues, provided at early and ongoing stages in the process;
- Activity level guidance together with best practice case study examples that will provide specific information on how sponsors can address gender equality and equal opportunities within their project plans;
- Equal opportunities targets integrated into priorities acting as a lever to encourage projects to contribute. See Chapter 4 for specific priority targets;
- Regular monitoring of progress, allowing for early intervention if necessary;
- update reports to the PMC and other stakeholders;
- Continued involvement of the external Cross Cutting Themes Group; and
- WEFO encouraging key equality organisations to be involved in supporting an effective network of specialist support.

## **Payment Bodies**

### **Payments from the Commission**

6.63 The National Assembly for Wales will receive Structural Funds payments from the European Commission. Payments will be made to the nominated bank account which will be controlled by Finance Division, Welsh Assembly Government. WEFO will liaise with Finance Division to ensure Structural Funds payments from the European Commission are correctly accounted for and are separately identifiable.

6.64 Shortly after the elections for the National Assembly for Wales in May 2007 the functions of the National Assembly for Wales will be transferred to the Welsh Ministers of the National Assembly for Wales (collectively known as the Welsh Assembly Government). At this point the Finance Division of the Welsh Assembly Government, acting on behalf of the Welsh Ministers will receive payments from the Commission.

### **Payments to Beneficiaries**

6.65 The Managing Authority will pay the beneficiaries (projects) on receipt of valid claims in accordance with Article 80. WEFO will be responsible for making payments to beneficiaries. The WEFO Payments Branch will work in partnership with Project Development Officers in the Programme Management Division on project monitoring issues but will be wholly responsible for authorising payments, thereby ensuring a separation of duties between those that approve and those that pay. The branch will

also be separate from the Certifying Authority which will be responsible for making expenditure declarations to the EC. A structure chart for WEFO is available on the WEFO website<sup>193</sup>.

6.66 Beneficiaries will be expected to submit claims at regular intervals to report actual expenditure and project activity. Claim intervals will be either monthly or quarterly, to enable close monitoring of projects against approved activity. The claims process will allow sponsors to report progress on the project and to provide revised spending plans which will be essential for monitoring at both project and programme level for N+2 purposes.

6.67 Applicants will generally claim on-line through WEFO's Programme and Project Information Management System (PPIMS) database which it is planned will be introduced through 2007 to 2008. This will provide automatic claim invitation and validation prior to submission. This will ensure all fields in the claim form are fully completed and undertake arithmetic calculations. It will also identify and seek explanations behind any breaches of tolerance where the project is not delivering as approved. This will not only improve the quality of claims submitted, resulting in less having to be returned, but will ensure close project monitoring alerting both WEFO and beneficiaries to issues as soon as they arise. Pre-printed paper claim forms will be available for those sponsors who do not have access to on-line functionality. These will undergo the same validation checks at the point of input into PPIMS by WEFO staff.

6.68 Most beneficiaries will be paid in arrears (they will claim expenditure actually paid out in the previous month/quarter), against a standard grant intervention rate approved for the project. However, to overcome cash flow problems often encountered by voluntary or private, non-profit organisations, WEFO will provide the option of paying these organisations in advance. Beneficiaries will also have the option (where WEFO considers this appropriate) to claim on the basis of need (i.e. the difference between expenditure and income over any given period).

6.69 All projects will be subject to grant retention (normally 10%) subject to satisfactory submission of a final claim and external audit certificate.

### **Eligibility of Expenditure**

6.70 The Managing Authority for the Operational Programme will draw up rules on the eligibility of expenditure in accordance with Article 56(4). These rules will take account of the provisions and exceptions as set out in the ESF Regulation (EC) 1081/2006, the General Regulation (EC) 1083/2006, the Implementing Regulation (EC) 1828/2006, the ERDF Regulation (EC) 1083/2006, existing (and updated) guidance and operational manuals issued by the Managing Authority.

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<sup>193</sup> [www.wefo.wales.gov.uk](http://www.wefo.wales.gov.uk)

6.71 The Managing Authority will provide the Commission with information on the national rules for eligibility established and applicable to the Operational Programme at the latest by the date of the submission of the description of the management and control systems and the report on the compliance of the systems in accordance with Article 71 of Regulation (EC) [1083/2006].

### **Interest Generated**

6.72 Any interest generated by payments from this Operational Programme to funds as defined in Article 44 shall be used in accordance with the provisions of Article 78(7). For example, interest generated from payments to financial engineering instruments will be reinvested for the benefit of small and medium sized enterprises.

6.73 In accordance with Article 83, any interest generated by the pre-financing shall be posted to the Operational Programme concerned, being regarded as a resource for the Member State in the form of a national public contribution, and shall be declared to the Commission at the time of the final closure of the Operational Programme.

### **Audit Arrangements**

6.74 Project sponsors are required to provide independently verified audit certificates as part of their own project management and in support of payment requests to WEFO. These certificates will need to be provided every 12 months during the life of a project and also at the end of the project. These audits will be undertaken by a suitably qualified auditor external to the organisation claiming the grant.

6.75 Each audit certificate will cover the period from the last audit (or from the start of the project), to the date of the last claim.

6.76 All audit issues will be followed up and decisions fully documented. The presumption will be that any amounts subjected to audit qualification will not be paid until the issue is resolved. If audit issues are raised WEFO will seek assurances from sponsors and auditors for future claims that any amounts disallowed have also been excluded from future claims. All audit issues will be recorded on PPIMS to allow common issues to be identified and followed up.

6.77 WEFO is looking to directly commission an external firm(s) of auditors to undertake project audits for the 2007–2013 Programme. This will ensure greater control and assurance and will provide for a consistent approach across all projects and funds.

### **Use of the Euro**

6.78 In accordance with Article 81, certified statements of expenditure, applications for payment and expenditure in the annual and final reports will be denominated in

euro. The sterling amounts will be converted to euro using the monthly accounting exchange rate of the Commission in the month during which the expenditure was registered in the accounts of the Certifying Authority.

## **State Aids**

6.79 Any public support under this programme must comply with the procedural and material EC State Aid rules applicable at the point of time when the public support is granted. It is the Member State, and in particular the Managing and Certifying Authority who are responsible for the compliance with State Aid rules of all Structural Funds operations within the programme.

6.80 In planning for the new programmes, early consideration will be given to ensuring that any aid awarded has the necessary Commission approval, either by ensuring that it complies fully with an existing approved scheme or a block exemption or by notifying the aid separately. In developing Strategic Frameworks, lead organisations will be required to identify the relevant State Aid cover for activities planned, ensuring that there is a thorough assessment of State Aid issues at an early stage of development, reducing the risk of problems during implementation.

6.81 WEFO, as the Managing and Certifying Authority, will work closely with the Welsh Assembly Government's State Aid Unit and with lead organisations to address State Aid issues identified in relation to the Strategic Frameworks, ensuring that the appropriate level of cover is in place for the various activities proposed under the Strategic Framework. This, in turn, will provide WEFO with robust assurance of State Aid compliance. Building on the experience gained during the existing programme, WEFO will ensure that appropriate systems and procedures are established for dealing with State Aid matters. These will include:

- provision of clear guidance to partners, applicants and staff;
- specific support and guidance during the development stages of projects under a Strategic Framework;
- robust methodology for assessing State Aid in relation to single projects and commissioned proposals; and
- procedures for ensuring State Aid compliance at reporting and monitoring stages.

6.82 In recognition of the ongoing reform of the State Aid rules, WEFO will liaise closely with the Welsh Assembly Government's State Aid Unit to ensure that any changes are built into the practical delivery of the Structural Funds Operational Programme, while ensuring that the full scope of the rules are applied in support of the key priorities identified.

## **Procedure for Financial Flows**

6.83 The Certifying Authority will make all payment claims to the European Commission. Interim and final claims will be derived from declarations of expenditure submitted by beneficiaries. A diagram illustrating these financial flows and the associated financial controls is at Annex I.

6.84 The Managing Authority will maintain systems to identify all receipts from the Commission and individual payments to beneficiaries. Procedures will be in place to ensure that EU regulations on prompt payments are complied with. The Managing Authority will be responsible for ensuring that the payments systems used have robust financial controls. Standards of probity and propriety consistent with those used for UK Government expenditure will be applied to the management of Community funds. As required in Article 37(1)(g)(iv), transparency in the mobilisation and circulation of financial flows will be maintained though defining the procedures used. An outline of how Community funds will flow is as follows:

- The Managing Authority input to WEFO's grants administration system, Programme and Projects Information System (PPIMS), the interim claim expenditure declared by the beneficiaries;
- The Certifying Authority submits requests for payments to the Commission at programme level;
- The Commission makes payments to the Managing Authority's account;
- The Managing Authority certifies and authorises payments to beneficiaries and carries out any recovery action necessary;
- The Managing Authority makes payments to beneficiaries through its BACS account; and
- Where the European Commission requests a refund, the Managing Authority will make the necessary payments.

6.85 The Managing Authority will bear the responsibility for investigating irregularities and making financial corrections as required. Within 2 months following the end of each quarter, the Managing Authority will inform the Commission of any irregularities which have been subject of a primary administrative or judicial finding and with references to irregularities previously reported any significant changes.

## **Programme and Project Information Management System (PPIMS)**

6.86 The WEFO Grants project is developing new ways of working via a web-enabled integrated system to fully comply with Commission compliance requirements, and to better enable beneficiaries to conduct their business with WEFO.

6.87 The web-enabled system being delivered is called PPIMS (Programme and Project Information Management System). The online functionality is being delivered via the Government Gateway, used across government to provide online services.

6.88 The system offers simple secure access to key documents and enables information to be shared across all WEFO offices in an efficient cost-effective way. Within PPIMS all data will be held in one place so access to information on each project will be more readily available than via current systems.

6.89 Sponsors themselves will be able to interact with WEFO online at a number of stages during the project lifecycle. Each sponsor will need to register with the Government Gateway and be given a unique user ID and password which will be used when they need online access. Sponsors will then be able to interact with WEFO online to carry out a number of actions, for example:

- completing Expression of Interest forms;
- completing pre-populated claim forms;
- accessing the latest Business Plan for their project;
- submitting supporting documents; and
- viewing any Article<sup>194</sup> 13 or 17 reports.

6.90 Benefits to project sponsors include:

- the use of standard forms/documents for all Programmes;
- an online claim form which will be pre-populated with data;
- being alerted via email when there is information on the website for their attention and action;

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<sup>194</sup> In reference to the Implementing Regulation (EC) 1828/2006

- having all information on the project being held in one place; and
- use of the Government Gateway, which provides a high level of security; all sponsors will be verified against 'known facts' held by WEFO.

6.91 Monitoring data will be collected at the point of submission of the pre-populated claim forms. This data constitutes a mandatory field in the claim. Therefore, monitoring data will need to be provided as part of the claim in order for it to be accepted by PPIMS as a valid claim. The Managing Authority also has the ability to withhold payment for those beneficiaries not providing monitoring data.

6.92 Additionally, WEFO will be able to access management information for reporting to the PMC and Commission more readily, with a clear audit trail being held in one place. The processes that are being designed will be compliant with EU requirements and will be supported by an IT system that will also conform to these same requirements.

### **Computerised Exchange of Data**

6.93 The Commission will establish a computer system to permit the secure exchange of data between the Commission and WEFO. WEFO will be involved in the development, and any major redevelopment, of that computer system. The computer system will be used to exchange information about the Operational Programme as set out in the Commission's Implementing Regulation and noted in Article 37(1)(g)(vi).

6.94 The Commission and WEFO will ensure that the Community and national provisions on the protection of personal data are complied with. Information exchanged shall be covered by professional confidentiality and be protected in the same way as similar information is protected by the national legislation of the United Kingdom.

6.95 In addition, information may not be used for any purpose other than that agreed between the WEFO and the Commission, unless WEFO has given their express consent, and provided that the provisions in force in Wales do not prohibit such use.

6.96 The computer system shall contain information of common interest to the Commission and WEFO. The content of the computer system for data exchange is detailed in Article 40 of the Implementing Regulation (EC) 1828/2006 and will be transmitted in the format given in the annexes of the Implementing Regulation. This will facilitate financial transactions and enable monitoring to be carried out.

6.97 Exchange of data and transactions shall be signed electronically in accordance with Article 37(1)(g)(vi) and the Implementation Regulation. The Commission shall specify the arrangements for use of electronic signatures.

6.98 A document shall be regarded as having been sent to the Commission once it has been signed by WEFO in the computer system. The Commission acknowledges that the date of receipt by the Commission shall be the date on which WEFO sends the documents.

6.99 In cases of *force majeure*, particularly the malfunction of the computer system or the failure of a lasting connection, WEFO may forward information and documents to the Commission in hard copy.

6.100 The Commission will provide the technical specifications for the exchange of data and WEFO will develop its computer systems to meet those specifications.

6.101 WEFO will develop its computer systems to retain the data required for an audit of its accounts. WEFO will set up reliable accounting, monitoring and financial reporting computerised systems in accordance with the general principles of the management and control systems in Article 58.

6.102 WEFO has developed a new computer system PPIMS (Programme and Project Information Management System) and this will contain all the data relating to the financial transactions and monitoring information.

6.103 Extracting data from the PPIMS system will enable WEFO to exchange data with the Commission satisfying Article 66(3) and Article 37(1)(g)vi. WEFO will utilise the standard Web-Application provided by the Commission's newly developed SFC2007 system. Accessing the Commission's web site will be via the Internet (https) using Internet Explorer and entering the data via the menu driven options and screens.

## **Monitoring and Evaluation**

### **Monitoring and Evaluation Plan**

6.104 Detailed plans for monitoring and evaluation will be set out in a Monitoring and Evaluation Plan, as detailed in Article 48(1). The plan will be published on the WEFO website and will be updated regularly. A summary of the Monitoring and Evaluation Plan is set out in paragraphs 6.105 – 6.129, and Annex J – Summary of monitoring and evaluation plan.

### **Monitoring**

6.105 Article 66 states the Managing Authority and the Monitoring Committee will carry out the monitoring by reference to the financial indicators and the indicators referred to in Article 37(1)(c), and specified in the OP under the Priorities (Chapter 4).

6.106 The Operational Programme contains both high-level tracking indicators (also referred to as context indicators) and programme indicators (at Priority level and aggregated to programme level).

6.107 The high-level tracking indicators are derived from the short-listed Lisbon Structural Indicators and the Welsh Assembly Government's economic development strategy, Wales: A Vibrant Economy (see Strategy – Chapter 3). They are used to monitor changes in the socio-economic context of the programme and will be updated where appropriate in the Annual Implementation Report.

6.108 Programme indicators relate to the effects of the intervention. They fall into three categories: output (activity); result; and impact, and are linked together in a logical chain. These indicators are set at Priority level and they have been selected carefully to reflect the breadth of individual priorities, while focusing on the key priority objectives and the cross cutting themes. Monitoring against these indicators will allow Programme progress to be assessed, thereby assisting the management of the Programme. Targets have been set against the Priority level indicators where meaningful targets can be set. Should any UK wide ESF indicators be developed prior to, or during the implementation of the Operational Programme, WEFO undertakes to incorporate these indicators into the ESF Convergence Operational Programme. WEFO propose to assess the suitability of the targets for outputs and results at a mid point in the delivery of the Programme and may propose revisions where they are judged to be no longer reasonable.

6.109 Projects will be required to report against all of the relevant indicators and, where relevant, provide participant level information required under Article 66(2) of the General Regulation [1083/2006] and Annex XXIII of the Implementing Regulation [1082/2006]. Projects will agree with the Managing Authority the timescales for reporting the monitoring data when the project is being developed.

## **Reporting**

6.110 Output and result data will be regularly collected from project managers by the Managing Authority using its grants administration system, PPIMS, to give an up-to-date picture of forecast and actual achievements. These data will be analysed regularly by the Managing Authority and will be reported, as appropriate, to the PMC. These analyses will underpin the need, should it occur, to undertake evaluation under Article 48(3) – see paragraph 6.120. Progress for the impact indicators will be assessed through evaluation and be informed by the output and result data.

6.111 Article 9(3) sets targets for expenditure for specified priorities. Annex IV, of the General Regulation (EC) [1083/2006], contains categories of expenditure to help ensure spend towards those targets. These categories will be used to report on how the programme is targeting assistance at the EU priorities of creating jobs, including

meeting the objectives of the *Integrated Guidelines for Growth and Jobs (2005 to 2008)*.

6.112 The Managing Authority will make reports available to the PMC for it to be able to satisfy itself as to the effectiveness and quality of the implementation of all the Operational Programme.

### **Annual Implementation Reports**

6.113 In accordance with Article 67, the Managing Authority will submit electronically an Annual Implementation Report to the Commission within six months of the end of each full calendar year of implementation. The Report will be considered and approved by the PMC and its sub-committees where appropriate; in accordance with Article 65(d). The first report will be due by 30 June 2008.

6.114 The Annual Implementation Report is essential for reviewing Programme progress. In accordance with Article 67 it will contain details of:

- progress in implementing the Operational Programme and its Priorities together with a quantification of the indicators referred to in Article 37(1)(c) at Priority level;
- the financial implementation of the Operational Programme, detailing for each Priority:
  - the expenditure paid out by the beneficiaries included in applications for payment sent to the Managing Authority and the corresponding public contribution;
  - the total payments received from the Commission and quantification of the financial indicators referred to in Article 66(2); and
  - the expenditure paid out by the body responsible for making payments to the beneficiaries;
- for information purposes only, the indicative breakdown of the allocation of Funds by categories, in accordance with the implementation rules adopted by the Commission referred to in Article 103(3);
- the steps taken by the Managing Authority and the PMC to ensure the quality and effectiveness of implementation. This includes monitoring and evaluation, and arrangements to collect data, details of any major problems encountered in implementing the Operational Programme and the action taken in response and the use made of Technical Assistance;
- the measures taken to provide information on and publicise the Operational Programme;

- details of any problems relating to compliance with Community law which have been encountered in the implementation of the Operational Programme and the measures taken to deal with them;
- information on the contribution to the Regions of Economic Change Initiative
- the use made of Technical Assistance;
- the use made of assistance released following financial corrections required in connection with individual or systemic irregularities in the implementation of the Programme, in accordance with Article 98(2); and
- cases where a substantial modification has been detected under Article 57.

### **Annual Review**

6.115 On receiving an Annual Implementation Report as noted above, the Commission and the Managing Authority will examine the progress made in implementing the Operational Programme including the main results achieved over the previous year, financial implementation, and any other issues.

6.116 The Commission may wish to comment on the implementation of the Programme to the Managing Authority, which will report the comments to the PMC and its sub-committees where appropriate, and provide a response to include action taken in response.

### **Final Implementation Report**

6.117 A Final Implementation Report, as required under Article 67(1), will be submitted to the Commission by 31 March 2017. The same content and procedure (submission to the Commission by the Managing Authority after examination and approval by the Programme Monitoring Committee) as for Annual Implementation Reports apply to this final report. However, for the Final Implementation Report on an Operational Programme, the time limit shall be a maximum of five months from the date of receipt of an admissible report. If the Commission does not respond within the time limit, the report shall be deemed to be accepted.

### **Evaluation**

6.118 There are three main areas for evaluation of the Operational Programme. These are Programme level; strategic framework; and project level.

#### **Programme level Evaluation**

6.119 The Managing Authority will ensure (Article 47 and 48) that evaluations of the Operational Programme are carried out through a series of 'on-going evaluations',

responding to policy and programming needs. These evaluations will be linked to programme monitoring, in particular where programme monitoring reveals a significant departure from the initial goals. Evaluation will also be undertaken where it is intended to substantially alter the design of the programme or where there are any notable changes in the external environment.

6.120 Programme level evaluations will consider the following issues: Relevance; Effectiveness; Efficiency; Utility; Sustainability; and Synergy. In accordance with Article 48(3) the results of these evaluations will be sent to the PMC and the Commission. Annex J contains a summary of the indicative Programme level evaluations.

6.121 The Ex-Ante Evaluations (Article 48) for the Convergence Programmes (ERDF and ESF) were undertaken to ensure that resources are allocated optimally and to maximise the quality of plans for programme implementation. It was an interactive process, with the consultants (appointed in accordance with the public sector procurement requirements) commenting on early drafts of programme documents and revisions being made in light of these comments.

6.122 The Ex-Post Evaluation, Article 49(3), will be undertaken by the European Commission in close co-operation with the Managing Authority.

### **Strategic Framework and Project Level Evaluation**

6.123 The programme level evaluation activity will be complemented by Strategic Framework and project level evaluation. Reporting against the monitoring indicators provides part of the assessment of project progress and impact. For this reason, all project sponsors will be required to undertake or commission evaluations of their projects. The intensity of the evaluation activity will be proportionate to the size or risk of the project and will be agreed with the project at the development stage. Costs associated with undertaking evaluation will be deemed an eligible cost. All project sponsors that are awarded £2 million grant or more (ESF or ERDF) for a single project and all projects involved in implementing innovative actions, as defined in Article 6 of Regulation (EC) 1081/2006, will be required to have the project externally evaluated by independent contractors.

6.124 Evaluation of the effectiveness of Strategic Framework strategies will be essential to inform any framework reviews undertaken during the life of the programme.

6.125 As a result of these enhanced requirements guidance will be developed to assist with the development of evaluation plans and the selection of appropriate evaluation methods at the project development stage. Throughout the programming period the Managing Authority will ensure that the quality of a sample of project level evaluations are assessed to ensure that evaluations are of a suitably robust quality.

## **Managing Monitoring and Evaluation**

6.126 External evaluations will be carried out by experts or bodies, internal (for example the Office of the Chief Social Research Officer, Economic Advice Division or Statistical Directorate) or external, functionally independent of the Managing, Certifying and Audit Authorities.

6.127 The Managing Authority will have overall responsibility for programme-level monitoring and evaluation and for ensuring that advice and guidance on monitoring and evaluation of Strategic Frameworks and projects is provided.

6.128 Evaluation will be undertaken in the spirit of partnership so the work will be overseen by an Evaluation Advisory Group (see 6.32 – 6.33) - Evaluation of the Operational Programme).

6.129 The Monitoring and Evaluation Plan will be presented to the Programme Monitoring Committee for their consideration. Final reports of all research undertaken and commissioned to fulfil the requirements of the plan will be presented to the PMC and its sub-committees where appropriate, and to the Commission.

## **Publicity and Information**

6.130 Information and publicity measures to be carried out by the Member States and Managing Authorities concerning assistance from the Structural Funds shall conform to the provisions of Article 69 and any rules adopted under it, and Chapter II of the Implementing Regulations.

6.131 The Implementation Regulations put forward a common methodology and approach for persons responsible for carrying out information and publicity measures, which takes account of the specific situation of each Member State. The Managing Authority responsible for implementing the programme will be responsible for publicity on the spot. Publicity will be undertaken in co-operation with the European Commission, which will be informed of measures taken for this purpose.

6.132 The information and publicity measures put in place will be presented in a structured form ('Communication Plan'), clearly setting out the overall aims and target groups; a programme of information and publicity activity; indicative budget and methods of delivery; the responsibility for delivering the activity and ways in which the activity will be monitored and evaluated. The Communication Plan will be published on the Managing Authority (WEFO) website following the European Commission's assessment of the Plan. The Communication Plan will be submitted to the Commission for examination with four months of the Operational Programme being adopted.

6.133 Communication activity will explain the funding opportunities offered by the Operational Programme, together with raising awareness of how they will benefit and provide added value for West Wales and the Valleys, and the role of the EU in regional development in Wales. The Managing Authority will ensure transparency in the assistance provided by the funds in its communication activity.

6.134 The Managing Authority will ensure that adequate publicity guidelines are available for project sponsors and that project sponsors meet the requirements to publicise the funding received from the Structural Funds programmes placed on them by the Commission Rules (Article 69(1) and the Implementation Regulations).

6.135 The amounts set aside to support the Managing Authority's work on the dissemination of information, publicity and communications for information and publicity are specified in the Technical Assistance Priority.

6.136 The Managing Authority will designate one or more persons to be responsible for the implementation of information and publicity measures, and will inform the Commission of those so designated.

## Chapter 7: Financial Allocations

### Introduction

7.1 This section explains how resources will be allocated to implement the strategy and the Priorities identified in Chapter 4. In addition to providing the rationale for priority-level financial allocations and proposed intervention rates, it also includes the detailed financial tables required under Article 37(e) of EU General Regulation [1083/2006]. These tables provide a breakdown of the total financial appropriation by year and a breakdown of the Community and national contribution by Priority.

### Programme Funding

7.2 West Wales & the Valleys will receive total Community funding of €2.08 billion to support Convergence programmes worth over €4.19 billion. The ESF Convergence programme will receive Community funding of €833 million (40% of the total). When this is combined with national public and private funding, the programme will provide €1.50 billion to boost growth and jobs over the period 2007-2013.

7.3 The analysis underpinning the Convergence programmes points to two key challenges facing West Wales and the Valleys; raising the number of people in employment and increasing average output or added value per job. Meeting these challenges calls for a significant investment in the skills and employment of the people of the region to support the development of a strong, knowledge-based economy and to build sustainable economic growth. It is against this background that the Welsh Assembly Government signalled its intention to build on the progress made to date through Objective 1 by increasing the proportion of overall Structural Fund resources directed towards ESF funded people-related interventions from 35% to 40%. This proposal received widespread support from partners across all sectors during the public consultation on the new programmes.

7.4 The Commission's annual progress report to the Spring 2007 European Council on the *Implementation of the Lisbon Strategy for Growth and Jobs* further underlines the importance of investing in skills and delivering employment opportunities for all. The report concludes that considerable progress is being made in the UK but highlights the need for further action to integrate vulnerable groups into the labour market, including incapacity benefit claimants, disabled people, lone parents, some ethnic minority groups, older people and those from areas of high deprivation. It also emphasises the link between improving the skills of the workforce and improving productivity growth. In response to this report, the European Council adopting a recommendation to the UK in March 2007 as part of its review of progress in implementing the *National Reform Programme* for growth and jobs. The Council recommended that the UK should "*increase basic and intermediate skills, in order to raise productivity, and further improve employment prospects for the most disadvantaged*".

## Priority Funding

7.5 The *Integrated Guidelines for Growth and Jobs* emphasise the importance of focussing spend on areas that will drive forward a competitive, knowledge driven economy. Against this background, the *Community Strategic Guidelines* emphasise the importance of concentrating resources both thematically and geographically on the investments that are fundamental for increasing long-term competitiveness, job creation and sustainable development. In deciding how best to allocate resources to support the ESF Convergence Priorities, a range of issues have been considered. Amongst these are:

- how the Structural Funds can best contribute to addressing the priorities in ways which add value to current strategies and actions;
- the requirement to ‘ earmark ’ resources against priorities which support the Lisbon strategy. The Welsh Assembly Government’s policies for economic development as set out in *Wales: A Vibrant Economy* are very much in line with the Lisbon agenda. These calls for an increase in resources in areas such as skills and employment. 94% of ESF resources under this Programme will contribute to the Lisbon earmarking targets;
- lessons learnt from the experience of the effectiveness of the Objective 1 Programme 2000 – 2006, including the need for simpler programme structures and implementation arrangements to facilitate more “joined up” delivery;
- the responses from the public consultation on the draft programme;
- the ability to absorb available resources within the N+2 timeframe required under the regulations;
- the availability of match funding;
- state aid requirements, and
- the interface with other European programmes such as the European Agricultural Fund for Development (EAFRD) and the European Fisheries Fund (EFF).

## Priority 1

7.6 This Priority seeks to ensure that young people have the skills needed, including higher level skills, to make a successful transition into employment. The analysis in the Programme shows that achievement levels are improving but West Wales & the Valleys still lags behind the average for East Wales and Wales as a whole. The region has a lower proportion of young people achieving GCSEs grades A\*-G or vocational equivalent coupled with lower A/AS level attainment levels. The proportion of 19-21 year olds without any formal qualifications is higher and the proportion of 19-21 year olds with higher level skills is lower than the UK average. The estimate of the percentage of 16-18 year olds classed as not in education, training or employment (NEET) in 2003-2004 was 13% and the aim is to reduce this to 7% by 2010. Against this background, the Programme introduces a separate Priority which focuses specifically on the needs of young people. The target group is young people aged 11 to 19 who are at risk of underachieving. This is the first time

such a Priority has been introduced, although aspects of this agenda have been taken forward through a variety of actions under the Objective 1 programme. The Programme proposes to allocate around 20% of available resources to tackling issues of underachievement and raising aspirations by adding value to Welsh Assembly Government policies, including 14-19 Learning Pathways and Reaching Higher.

## **Priority 2**

7.7 This Priority aims to raise levels of employment, particularly by reducing levels of economic inactivity. Although West Wales & the Valleys has seen considerable improvements in labour market conditions, with rising employment and falling unemployment, the region still has higher levels of unemployment and economic inactivity than the UK average. As unemployment has steadily declined there has been a stronger focus on those who face particular disadvantages in the labour market. Higher incidence of poor health and an adverse skills profile are features of the economically inactive population. The Programme will allocate around 34% of available resources to helping people into sustainable employment and reducing the risk of certain groups (e.g. people with health related problems, or individuals under formal notice of redundancy) moving from work into unemployment and long-term inactivity. The emphasis will be on supporting harder to help groups within the economically inactive population. While this represents a reduction in funding for active labour market measures when compared with to broadly equivalent actions under the current Objective 1, this is largely offset by the introduction of the new priority for young people (Priority 1).

## **Priority 3**

7.8 This Priority aims to improve skills at all levels, but with a particular emphasis on raising the skills base. Although the position is steadily improving, West Wales & the Valleys still has an adverse skills profile, with a relatively high proportion of individuals without any formal qualifications. There is also evidence of skills gaps at foundation and intermediate levels. This Priority is critical to the success of the overall Convergence strategy and will be the largest in financial terms, absorbing around 40% of the available funding. Around 60% of this funding will be directed towards improving skill levels up to an including Level 3. The Priority will also support the provision of the higher level skills needed to support the knowledge economy and help businesses and workers to adapt to changing economic circumstances. Finally the Priority will have a focus on promoting gender equality in employment. Although the level of funding for gender related interventions will be slightly reduced when compared with the current Objective 1 programme, the focus will be on more targeted interventions aimed at tackling segregation in the labour market. Again, this will be offset by raising skill levels of the lowest performing school leavers under Priority 1.

## **Priority 4**

7.9 This Priority will help to modernise and improve the quality of our public services through targeted investments aimed at making them more customer focused, flexible, integrated, efficient and ambitious. Current service performance is rather patchy and too fragmented. This Priority recognises that public services are an important economic actor, with a procurement budget representing 11% of Wales's GDP. Improving public service performance and efficiency must go hand in hand with efforts to transform the West Wales & the Valleys economy. Responsibility for mainstream service improvement programmes should be, and are, funded through mainstream government programmes. This Priority will absorb just under 4% of the total ESF funding and will be used to support targeted investments aimed at providing the basis for transformational change in service delivery through more effective collaborative working across the public service and raising skill levels in critical areas. It will make a small but important contribution to the overall reform programme set out in *Making the Connections*.

### **Intervention Rates**

7.10 The average intervention rate proposed for the Programme is 64.36%, with the intervention rates for individual Priorities ranging between 55.24% and 65.80%. These rates are based primarily on our historical experience of the current Objective 1 programme and take into account factors such as state aid limits and the availability of match funding. Any modulations to these rates would only be made as per the conditions stated within EU Regulation [1083/2006] Article 52.

### **Reimbursement Rate**

7.11 In accordance with Article 53(1) of EU Regulation [1083/2006], the contribution from the ESF shall be calculated with reference to the total eligible expenditure including public and private expenditure.

**Table 33 - West Wales and the Valleys ESF Convergence Programme 2007-2013**

Operation Programme Reference (CCI Number): 2007UK051PO002

Priority axes by source of funding (in euros)

							For information		
	Community Funding (a)	National Counterpart (b) = (c) + (d)	Indicative breakdown of the national counterpart		Total Funding (e) = (a) + (d)	Co-Financing rate (f) = (a) / (e)	EIB contributions	Other Funding	
			National Public Funding (c)	National Private Funding (d)					
<b>P1</b>	<b>Priority 1 - Supplying young people with the skills needed for learning and future employment</b>	€123,929,806	€65,491,185	€59,521,998	€5,969,187	€189,420,991	65.43%	0	0
<b>P2</b>	<b>Priority 2 Increasing employment and tackling economic inactivity</b>	€27,810,932	€187,024,438	€151,890,972	€35,133,466	€14,835,370	63.67%	0	0
<b>P3</b>	<b>Priority 3 Improving skill levels and adaptability of the workforce</b>	€31,858,760	€172,473,892	€131,221,844	€41,252,048	€504,332,652	65.80%	0	0
<b>P4</b>	<b>Priority 4 – Improving public services - Making the Connections</b>	€2,985,962	€22,740,417	€22,680,319	€60,098	€5,726,379	59.19%	0	0
<b>P5</b>	<b>Technical assistance</b>	€17,000,000	€13,776,151	€13,776,151	€0	€30,776,151	55.24%		
	<b>TOTAL</b>	<b>€333,585,460</b>	<b>€461,506,083</b>	<b>€379,091,284</b>	<b>€82,414,799</b>	<b>€1,295,091,543</b>	<b>64.36%</b>	<b>€0.000</b>	<b>€0.000</b>

**Table 34 - West Wales and the Valleys ESF Convergence Programme 2007-2013**

*Operation Programme Reference (CCI Number): 2007UK051PO002*

Year by source for the programme (in euros millions)

	Community Funding
	(a)
2007	112,127,211
2008	114,369,755
2009	116,657,150
2010	118,990,293
2011	121,370,099
2012	123,797,501
2013	126,273,451
Grand Total 2007-2013	833,585,460

**Table 35 – Indicative allocations by category of intervention<sup>195</sup>**

<b>Table 1 CODES FOR THE PRIORITY THEME DIMENSION</b>		
Code	Description	Community Amount
62	Development of life-long learning systems and strategies in firms; training and services for employees ...	149,136,527
64	Development of special services for employment, training and support in connection with restructuring of sectors ...	26,548,701
66	Implementing active and preventive measures on the labour market	215,238,994
67	Measures encouraging active ageing and prolonging working lives	14,340,546
69	Measures to improve access to employment and increase sustainable participation and progress of women ...	16,592,938
70	Specific action to increase migrants' participation in employment ...	6,637,175
71	Pathways to integration and re-entry into employment for disadvantaged people ...	114,724,373
72	Design, introduction and implementing of reforms in education and training systems ...	115,950,651
73	Measures to increase participation in education and training throughout the life-cycle ...	107,436,825
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...	16,992,768
81	Mechanisms for improving good policy and programme design, monitoring and evaluation ...	32,985,962
85	Preparation, implementation, monitoring and inspection	8,500,000
86	Evaluation and studies; information and communication	8,500,000
<b>Total</b>		<b>833,585,460</b>
<b>Table 2 CODES FOR THE FORM OF FINANCE DIMENSION</b>		
01	Non-repayable aid	833,585,460
<b>Total</b>		<b>833,585,460</b>
<b>Table 3 CODES FOR THE TERRITORIAL DIMENSION</b>		
00	Not applicable	833,585,460
<b>Total</b>		<b>833,585,460</b>
<b>Table 4 CODES FOR THE ECONOMIC ACTIVITY DIMENSION</b>		
00	Not applicable	833,585,460
<b>Total</b>		<b>833,585,460</b>
<b>Table 5 CODES FOR THE LOCATION DIMENSION</b>		
UKL1	WEST WALES AND THE VALLEYS	

<sup>195</sup> These categories of expenditure are indicative and intended for information only.

# **ANNEX A – CONSULTATION DETAILS AND RESPONDENTS**

## **(DETAILS OF THE CONSULTATION RESPONSES, AND LIST OF THOSE WHO PARTICIPATED)**

### **The Vision**

1.1 Out of the 127 responses received, 65% agreed with the overall vision for West Wales & the Valleys, 26% of respondents did not express an opinion, and the remaining 9% did not agree. It was felt that the vision was ambitious, aligning with both the Lisbon and Gothenburg agendas.

### **The Analysis and SWOT**

1.2 61% agreed with the overall analysis of the strengths, weaknesses, opportunities and threats facing the region, 9% did not agree and 30% did not answer. The main themes emerging in comments were the need to achieve a better balance between lower level and higher level skills, and the need for a greater recognition of environmental threats, including climate change.

### **The strategy, aims and objectives**

1.3 69% agreed with the overall strategy set out in the Convergence programme documents, 6% did not agree, and the remainder did not comment. However, even amongst those that agreed there were polarised views on the degree to which the programmes should support Lisbon earmarking targets, with respondents from Local Government generally being less positive about earmarking resources, and respondents from Higher Education pressing for a stronger emphasis on Lisbon.

1.4 A number of respondents called for greater clarity on how the Wales Spatial Plan would be used in relation to the programmes, as well as requests for more information on strategic frameworks, an emphasis on the importance of partnership and the importance of developing skill levels. There was a significant call to strengthen the emphasis on the importance of tourism within the economy of West Wales & the Valleys and the part that cultural and heritage activities and businesses can play.

### **Monitoring and evaluation strategy**

1.5 Nearly all of those who expressed an opinion (56 respondents) agreed with the monitoring and evaluation strategy, whilst the remainder did not comment. A number of respondents called for the provision of training, guidance and support for project level evaluations. Others emphasised the need for qualitative measures

and indicators as well as quantitative. Many respondents also suggested additional indicators and highlighted other areas they felt should be in this strategy.

### **Innovative actions and trans-national activities**

1.6 Amongst those who commented, there was a generally positive response to the proposals for mainstreaming innovative actions and transnational activities, with a wide range of suggestions on potential themes.

### **The Priorities**

1.7 Respondents were generally supportive of ESF Priority 1 – Increasing employment and tackling economic inactivity. Some respondents felt there could be stronger links drawn to improving the health of the workforce and tackling transport barriers. Others highlighted the needs of particular groups, including older workers, ex-offenders and post graduates.

1.8 The main issues raised on ESF Priority 2 – Improving Skills, concerned the balance of skills investment. Some respondents, including HEIs, argued for a stronger emphasis on higher level skills to support the knowledge economy (see also ERDF Priority 1), while others agreed with the strong focus on lower level and basic skills. Some respondents also highlighted the need for adequate provision for investments in the learning infrastructure.

1.9 There were very mixed views on ESF Priority 3 – Making the Connections. Some respondents strongly supported investments aimed at improving the quality of public services, while others questioned its inclusion in the programme. Most felt there was a need for this small priority to be carefully focused if it was to achieve a real impact.

1.10 The focus of ERDF Priority 1 – Knowledge and Innovation for Growth, was broadly welcomed, although a number of respondents suggested merging the theme on ICT infrastructure under Priority 2 with the ICT exploitation theme under Priority 1. Some respondents also suggested that the priority might be sub divided into two priorities, the first covering R&D and Innovation (and possible ICT) and the second entrepreneurship and business finance. A significant number of respondents emphasised the importance of developing stronger synergies with the EU's Framework Programme 7.

1.11 Responses to ERDF Priority 2 – Creating an attractive business environment, were quite varied. A significant number of respondents emphasised the importance of transport and physical infrastructure for attracting businesses, with some, particularly local authorities, calling for a new theme on "strategic sites and premises". Others cautioned against significant investments in road building and called for a stronger emphasis on investments in improving and safeguarding the environment, including addressing climate change issues.

1.12 Many respondents felt that ERDF Priority 3 – Building Sustainable Communities was too broadly focused and highlighted the potential for overlap with Priorities 1 and 2. Some suggested a stronger focus on town/village centre regeneration, while others suggested that physical regeneration should be transferred to Priority 2. Others welcomed the scope to support integrated strategies for regeneration and emphasised the importance of supporting community and social businesses.

### **Cross-cutting themes – Equal Opportunities and Environmental Sustainability**

| **1.5** There was broad agreement to the approach to the cross cutting themes. Generally respondents welcomed the approach to mainstreaming cross cutting themes and where they disagreed, it was usually on specific details not the principle. The cross cutting themes should be seen as integral to projects not as an “add-on, bolt-on, or tick box exercise”. Support and guidance for project sponsors is seen as crucial.

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### **Implementation arrangements**

| **1.6** There was general support for the proposed 60/40 split between ERDF and ESF. Other respondents pressed for increases or decreases for certain priorities, largely reflecting their particular interest. For example HEIs generally argued for more investment in R&D and innovation, local authorities for Building Sustainable Communities and the Voluntary Sector for Community Economic Development.

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| **1.7** Most respondents sought further information on the proposed approach to strategic implementation, particularly how strategic frameworks would work in practice and the role of partnerships.

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| **1.8** There was overall support for a single all-Wales PMC, with a number of reservations. Perceived advantages were better co-ordination and resource management, with fewer demands on the private sector. Perceived problems were inability to focus on complexities of the Convergence region, widely differing needs between the Convergence and Regional competitiveness regions, and lack of clarity on the objectives of the different programmes and associated roles.

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1.17 The changes made to the ESF programme as a result of the consultation include:

- The programme has been re-structured into four priorities instead of three. There were no significant changes to the structure of ESF Priority 1, which remains focused on supporting the economically inactive into employment, and helping those with work-limiting health conditions remain in employment, but it has been renamed Priority 2 – Increasing employment and tackling economic inactivity.

- ESF Priority 2 - Improving skills, has been split into two separate priorities: a new Priority 1 - Supplying young people with the skills for learning and future employment, which focuses exclusively on young people, particularly those at risk of becoming disaffected and disengaged from education or training; and improving their access to learning opportunities.
- The second priority, renamed Priority 3 - Improving skill levels and the adaptability of the workforce, focuses upon broader skills development of the workforce particularly improving basic skills; helping businesses and organisations identify skills gaps and adapt to changing skills needs; and supporting gender equality in employment.
- Priority 3 – Making the Connections, now re-named Priority 4 – Modernising and improving the quality of our public services, focuses upon two key aspects: transforming public services through more effective collaborative working; and building the capacity of public services sectors to deliver higher quality services, thus meeting the strategic need for delivery of more effective and efficient services across the West Wales and the Valleys region.

1.18 The changes made to the ERDF programme as a result of the consultation include:

- The programme has been re-structured into five rather than three priorities to give a clearer focus on what the key priorities are and to avoid single large priorities.
- The focus of the proposed ERDF Priority 1 (Knowledge and Innovation for Growth), has been strengthened. The theme on ICT infrastructure under Priority 2 has been merged with the ICT exploitation theme under Priority 1. This priority has been divided into two priorities, the first covering R&D and Innovation and the second entrepreneurship and business finance. The synergies with the EU's Framework Programme 7 have been strengthened.
- The proposed ERDF Priority 2 – Creating an attractive business environment, has also been split into two priorities: one covering transport and strategic infrastructure and the other energy and the environment. In response to the calls from some, particularly local authorities, a new theme on “strategic sites and premises” has been created. Furthermore, the priority on transport and strategic infrastructure will contain a theme covering strategic business sites and targeted education infrastructure investments.
- Sections of the Convergence Operational Programmes have been strengthened where gaps have been identified, for the strengths of higher education and the opportunities presented by tourism and ERDF Priority 3 – Building Sustainable Communities has been re-drafted to focus more clearly on areas of most need and opportunity.

1.19 There was widespread, not unanimous, agreement with the proposal to establish a single Programme Monitoring Committee (PMC). During the consultation events there were concerns that PMC membership reflected vested interests, and engagement by PMC members has waned as the programmes have moved close to full commitment. The single PMC structure will be retained, and appointments will be made on merit rather than inviting representatives. We will seek to ensure that expertise is appointed covering all relevant sectors (eg private business, voluntary sector and local government) rather than seeking nominations. We will also need to ensure that whilst the Convergence area is the priority, the interests of the East Wales area are also covered. More detail is given in the implementation chapter.

1.20 Further advice on Strategic Frameworks has been provided to stakeholders since the consultation and, in October 2006, WEFO consulted on initial proposals for Strategic Frameworks. Stakeholders continue to be updated on progress with Strategic Frameworks and the use of the Spatial Plan through the website, mailing lists and meetings with officials. These sections of the Operational Programmes have been strengthened.

1.21 Consultees emphasised the need to include qualitative measures, as well as quantitative indicators, to give definitions of indicators, and that proposed indicators did not always align as well as they might with the objectives for the priority. The revised Operational Programme emphasises the link between monitoring and evaluation and the role of evaluation in reporting the qualitative aspect of project achievements. Definitions will be provided for all monitoring indicators in the Programme (as separate guidance, which will be checked with a sample of project sponsors) and we believe that the final indicators better link to priority objectives. Indicators suggested through the consultation have been considered in this context and some have been included, for example, private sector investment.

1.22 A number of excellent ideas have also been put forward by respondents on the mainstreaming of innovative actions and trans-national activities. These will be considered in the implementation of these aspects of the programmes.

## LIST OF RESPONDENTS

	NAME	ORGANISATION
1.	Stephen Lord	PRIME Cymru
2.	Andre Misell	Diabetes UK
3.	Jeff Pride	HERIAN
4.	J H Hughes	
5.	Gwyneth Stroud	Wales Management Council
6.	Captain Wyn Parry	Stena Line Ports
7.	Prof Antony J Chapman	UWIC
8.	Alison Kinsey	Ceredigion Economic Regeneration Partnership
9	Lisa Willis	Neath Port Talbot Obj 1 Partnership

10	Ian Roffe	University of Wales Lampeter
11	Gareth Jones	Blaenau Gwent Regeneration Partnership
12	Zoe Brewis	Chwarae Teg
13	Non Rhys	Federation of Small Business
14	Owen Evans	BT
15	Harry Thomas	Gwynedd CC
16	F B Callus	CCET Coleg Gwent
17	Peter Slater	Coalfields Communities Campaign
18	K Sawyer	Neath Port Talbot CBC
19	Prof Leslie Hobson	University of Glamorgan
20	Gareth Jones	Blaenau Gwent CBC
21	Beverley Penney	Ramblers Association
22	Paul Orders	Cardiff Council
23	Jocelyn Llewellyn	Job Centre Plus
24	Phil Gummatt	HEFCW
25	Huw Onllwyn Jones	Bwrdd yr Iaith Gymraeg
26	Prof Paul Beynon-Davies	Ecommerce Innovation centre
27	Alun M Thomas	Dwr Cymru Welsh Water
28	Douglas Reid	Merthyr Tydfil CBC
29	Alun Ffred Jones	Plaid Cymru
30	Prof Sian Pope	University of Wales Bangor
31	Claire Morris	EIN committee NAW
32	Lucy Von Weber	South West Wales Tourism Partnership
33	Sasha Davies	Ynys Mon
34	Sian Williams	Tourism partnership North Wales
35	Alun Jones	Menter a Busnes
36	Owain Wyn	Royal Town Planning Institute
37	Katie-Jo Luxton	RSPB
38	Ruth Coombs	Mind Cymru
39	Gil Hurley	Prison Service
40	Steve Lazell	South East Wales Economic Forum
41	Peter Sishton	Sector skills Council for IT and Telcoms
42	John Winton	Churches Tourism Network Wales
43	Mike Clarke	Remploy
44	Abigail Phillips	European and External Affairs Cttee NAW
45	Abbie Hughes	Environment Agency Wales
46	Julie Williams	Swansea University
47	Edward Baldascino	Coleg Morgannwg
48	David Leron	Institute of Chartered Accountants
49	Christine Chapman AM	Assembly Member
50	Cerys Furlong	NIACE Dysgu
51	Roger Thomas	CCW
52	Peter Hynes	ILM group
53	Gwyn Evans	Pembrokeshire CC
54	Christine Holvey	Opportunity Wales
55	Dot Collis	Planning Division, WAG

56.	Calvin Wynne Davies	Antur Waunfawr
57.	David Ware	Blaenau Gwent CBC
58.	Neville Davies	Carmarthenshire CC
59.	Mark Haliwell	Bridgend CBC Economic Partnership
60.	Geraint Hopkins	Wales Environment Link
61.	Zelie Flach	UNA (Private Sector)
62.	Julian Burrell	Wales Tourism Alliance
63.	Lee Elwell	TTFW
64.	Bob Brierley	SEWTA
65.	Paul Relf	CC Swansea
66.	Richard Crawshaw	South West Wales Economic Forum
67.	Gail Le Grove	National Child minding Association
68.	Matthew Price	SURTRANS
69.	Hannah Pitt	National Trust
70.	Gwennan Jones	University Innovation Bangor
71.	Mike German AM	Assembly Member
72.	Miss EMB Morgan	Ceredigion CC
73.	Sheila Potter	Conwy CC
74.	Marcus Judd	South West Wales Integrated Transport Consortium
75.	Joan Asby	PLANED
76.	David Seal	Wales Centre for Health
77.	Judith Stone	WCVA
78.	Simon Harris	Wales Co-op Centre
79.	Mark Richards	National Museum
80.	Simon Harris	Social Enterprise Network
81.	Claire Saralis	Chamber Wales
82.	Mark Potter	Probation Service
83.	Glen Peters	Rhos y gilwen Mansion
84.	Rory Francis	Coed Cadw Woodland Trust
85.	Ian Miller	Denbighshire CC
86.	Derek Walker	TUC
87.	Mike Jones	Vale of Glamorgan CC
88.	Dee Reynolds	Tourism Partnership Mid Wales
89.	Duncan Anstey	Torfaen Council
90.	Huw Lewis and Lynne Neagle	Assembly Members
91. a	Lowri Gwilym	WLGA
92.	Lorraine Miles	NPT Council for Voluntary Service
93.	Susan Spurrier	Big Lottery
94.	Martin Moore	Disability Wales
95.	Marion Morris	Carmarthenshire Regeneration partnership
96.	Marion Morris	Ceredigion Economic Regeneration Partnership
97.	Louise Huxtable	Expert Panel on Resources Management
98.	Rhian Phillips	Carmarthenshire CC
99.	Menna Thomas	Barnardos
100.	Peter Cole	Capital Region Tourism

101.	Rachel Jones	Skills for Business Network forum
102.	Byron Broadstock	Civil engineering contractors
103.	Nick Bodycombe	Cardiff University
104.	Peter Tyndall	Arts Council
105.	Peter Williams	Development Trusts Association
106.	Jo Charles	National Public Health Service
107.	Amanda Wilkinson	Higher Education Wales
108.	Ben Arnold	University of Wales Newport
109.	Anita Shaw	Techniquist
110.	Clare Jones	Newport CC
111.	Rhian Lloyd	Holyhead Forward
112.	Naz Malik	AWEMA
113.	Ieuan Evans	Tourism Advisory Panel
114.	Simon White	One Voice Wales
115.	Noel Lloyd	UW Aberystwyth
116.	Eirlys Jones	North Wales Tourism
117.	Ian Macintosh	Groundwork Wales
118.	Sian Hope	UW Bangor
119.	Jo Coulson	Mumbles Development Trust
120.	David Archer	Snowdonia National Park
121.	Fiona Jones	Fforwm
122.		Ethnic Business support Programme
123.	Carl Close	Police Service in Wales
124.	Peter Mortimer	RCT Valleys Joint Regeneration Officers Group
125.	Peter Mortimer	RCT Council
126.	Peter Mortimer	RCT Economic Regeneration Partnership
127.	Shane Wetton	Rural Community Action (RCA) and Community Regeneration Team - Conwy
128.	Berry Coffman	Greening the Valleys
129.	Richard Essex	RICS
130.	Robert Dangerfield	CORUS
131.	Carys Eyton Jones	British Waterways
132.	Emma Watkin	CBI
133.	Chris Johnes	Communities First Support Network

## ANNEX B – LESSONS LEARNED

# Summary of Key Lessons Learned from Previous Programmes in Wales, the UK and the EU

October 2006

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**Private and Confidential**

*In conjunction with*



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### **Annexes**

Annex A: Bibliography

Annex B: Objective 1, 2/T and 3 Programmes' Priorities and Measures (2000-2006)

## 1 INTRODUCTION

- 1.1 Wales has qualified for substantial European Structural Funds support between 2007 and 2013. It is anticipated that this assistance will be delivered through four programmes - the Convergence Programme (for West Wales and the Valleys), the Competitiveness Programme (for East Wales) and two European Social Fund Programmes, one for West Wales and the Valleys and one for East Wales. In addition, the Ireland/Wales 2007-13 cross border programme will continue to deliver the objectives of the INTERREG III programme which was to achieve progressive integration of local economic, social and environmental development across borders between Wales and the Republic of Ireland. The next round of the Ireland/Wales cross border programme will be hosted and evaluated by the Irish authorities.
- 1.2 WEFO is required by the European Commission to carry out Ex Ante Evaluations for each of the Convergence, Competitiveness and the two corresponding ESF Programmes. These evaluations will serve to ensure that resources are allocated optimally and to maximise the quality of plans for programme implementation. The ex ante evaluation process is iterative, with the evaluators making assessments and recommendations on plans for programming and the Programme authors (WEFO) taking these into account in later drafts of Programme documents. DTZ Consulting and Research, an independent research consultancy company, has been appointed to carry out the Ex Ante Evaluations of the four Programmes.
- 1.3 As part of the Ex Ante Evaluations, DTZ has reviewed previous evaluations of the current round of European Structural Funds (SF) Programmes at the Welsh, UK and European level in order to identify key conclusions and lessons learned. The paper focuses on information relevant to the design of the 2007-2013 Programmes, rather than on conclusions and recommendations that are very specific to a particular set of programme circumstances. This paper builds on a lessons learned paper supplied by WEFO which specifically identified lessons learned from the Welsh Mid Term Evaluations (MTEs) and the Mid Term Evaluation Updates (MTEUs).

- 1.4 The lessons learned paper is not a literature review. Rather, it reflects what DTZ judges to be salient findings, relevant to the new programmes in Wales. These key findings are then distilled into lessons learned, conclusions and comments which represent DTZ’s overall assessment.
- 1.5 The papers reviewed are listed in the Bibliography in Annex A. Specifically these include:
- The MTEs and MTEUs of the Structural Fund Programmes in Wales carried out in 2003 and 2005 respectively

**Table 1: MTEs and MTEUs reviewed**

<i>Wales</i>	<b>MTE</b>	<b>MTEU</b>
West Wales and the Valleys Objective 1 Programme	X	X
East Wales Objective 2 and Transitional Programme	X	X
East Wales Objective 3 Programme	X	X
West Wrexham URBAN II Programme	X	X
INTERREG IIIA Ireland / Wales Community Initiative Programme	X	X
LEADER+ Wales Community Initiative Programme	X	

- A selection of the MTEs and MTEUs of Structural Fund Programmes across the rest of the UK, carried out in 2003 and 2005 respectively (as identified in Table 2) – focusing especially on Objective 1, 2 and 3 Programmes. These were selected to provide a good spread across the country and across Programmes as well as covering a selection of MTEs and MTEUs.

**Table 2: UK MTEs and MTEUs reviewed**

	<b>MTE</b>	<b>MTEU</b>
<b><i>England</i></b>		
South-West (Objective 1)	X	
South Yorkshire (Objective 1)	X	X
London (Objective 2)	X	
Yorkshire & Humber (Objective 2)		X
West Midlands (Objective 2)		X
North East England (Objective 2)	X	
Objective 3	X	
East of England (Objective 2)	X	
<b><i>Scotland</i></b>		
Highlands and Islands (Objective 1)	X	
Western Scotland (Objective 2)	X	X
East of Scotland (Objective 2)	X	
Objective 3	X	
<b><i>Other</i></b>		
CSF England/Scotland/Wales Objective 3	X	

- Other WEFO, UK and European Commission reports as shown in the attached bibliography.

1.6 Throughout the paper, the evaluators have highlighted relevant specific issues and have drawn out conclusions and lessons learned at the end of each chapter. These are the key findings the evaluators consider to be relevant to the new programming period and as such reflect the evaluators' independent assessment of the key issues which should be taken into account.

1.7 The report has been divided into the following sections:

- Section 2 examines the evidence on how far original programme strategies were still applicable at later stages in the programmes;
- Section 3 reviews programme performance (as at MTE/MTEU stage);
- Section 4 investigates the quantification of objectives (indicators and targets);
- Section 5 reviews the implementation systems including monitoring and evaluation systems;
- Section 6 reviews the contribution to Lisbon priorities; and
- Section 7 draws out the key conclusions and recommendations for the Welsh Structural Funds Programmes for 2007-2013.

## 2 APPROPRIATENESS OF THE PROGRAMME STRATEGIES

2.1 In general, at the time of the MTEs (2003) it was found that most programme strategies remained relevant and appropriate across Wales (Objective 1 MTE, INTERREG MTE, and URBAN MTE), the rest of the UK (ESF Evaluation Team 2003) and EU Member States (DG REGIO 2004 p 19). This was generally the case not only over time, but also across regional and national policy objectives and socio-economic circumstances. This section reviews the appropriateness of strategies across the above factors but also highlights particular areas where it was found that programmes had to be amended in order to accommodate various changes in conditions. These experiences highlight several lessons, which are discussed in the concluding section.

### *Appropriateness of programme strategies over time*

2.2 As mentioned, most programme strategies were found to remain relevant and appropriate across Wales, the UK and EU. However, of the few strategies that were revised, one was that of the UK's Highlands and Islands (Special Transitional) Programme. The H&I MTE Main Report (2003) recommended that whilst the overall objectives, priorities and measures of the Programme were still broadly relevant, it would be advisable to refocus funding towards "high achieving measures"<sup>1</sup> that reflected underlying changes in the socio-economic characteristics of the Programme area. This was with a view to moving away from the criticism that the Programme described "all of what the Partnership *might do*, to a position where it represents what the Partnership has *resolved to do* and for which there are reasonable prospects for securing match funding" (H&I MTE, p.3). In Merseyside ('Objective 1 Mid Term Evaluation' Regeneris Consulting 2003), the recommendation was made that resources be focused on securing a stronger culture of innovation and technology transfer, with an increased focus on the demand side.

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<sup>1</sup> For example, it was agreed to shift the emphasis of the Programme's Priority 3 towards social inclusion and refocus spending in Priority 1 Measure 4 to projects that could demonstrate strategic significance; new development opportunities (e.g. renewables, nuclear decommissioning, knowledge/media); direct employment generation; and generative capacity (H&I MTEU 2005)

- 2.3 In Scotland, the socio-economic conditions in which the Objective 3 Programme operated had changed; with a general fall in unemployment, together with the New Deal, removing much of one of the Programme's target groups. This led to concerns that the over-detailed specification of Measures (particularly in relation to limits placed by geographic or beneficiary-type targeting) were making it difficult for project promoters to devise and run effective projects under the changed circumstances. Consequently, the Programme targets were considered in need of revision.

*Links to national and regional strategies*

- 2.4 In the Wales Objective 1 MTE, the evaluators noted that certain elements of the Programme were well integrated with national strategies (for example innovation and rural development) and that only a few projects appeared to be inconsistent with Welsh Assembly Government strategies which emerged since the Programme was written. However, they noted that in the main, the bottom up, project driven nature of the Programmes meant that the Programme would be more reactive than proactive in pursuing national strategic objectives. Similarly, evaluators found that the Objective 3 Programme fits well with broader policy frameworks but seems rather "unstrategic" (Objective 3 MTE).
- 2.5 Given the increased emphasis on the Welsh language and Welsh medium education/training since the 2000 – 2006 Programmes were developed, this issue was recommended to have a higher profile in future programmes (Objective 3 MTE).
- 2.6 In some cases (e.g. South-West England Objective 1, East of Scotland Objective 2), a high level of consistency with emerging regional strategies was noted, as well as linkages with other new strategies. For example, in South-West England the 2003 MTE found that the programme was consistent with national and EU emerging strategies as well as with regional strategies. Following the publication of the Single Programming Document in East of Scotland one of the main new strategies was the 2000 Framework for

Economic Development in Scotland (FEDS), which the programme was found to be ‘completely in line’ with (EKOS Ltd 2003).

- 2.7 For the South Yorkshire Objective 1 Programme, although considered to be well aligned with the emerging regional strategies, some review of activities was recommended. In London (Objective 2), evaluators noted that there were opportunities to increase the Programme’s contribution to key regional initiatives. They also recommended that the Programme Complement be revised to mention specific domestic initiatives relevant to each Measure, to which the Programme sought to add value.
- 2.8 Similarly, in the East of England (Objective 2) Programme, there was a recommendation for closer alignment between the Programme and the Regional Economic and Regional Social Strategies with regard to strategic aim, funding arrangements and project selection procedures. In North East England (Objective 2), the introduction of sub-regional organisations delivering a variety of interventions<sup>2</sup> and operating in key policy areas covered by the Programme was thought to have important implications for the allocation of resources and Programme activity. This highlighted the need for Programmes to be flexible and responsive to the environment in which they operate.
- 2.9 In Yorkshire and Humber (Objective 2), a need was identified to integrate the Programme more closely with targets for business support in the Regional Economic Strategy. This would also help to reduce the large number of output targets for business support to a more manageable number of key outputs. The evaluation also highlighted the role for the Programme to respond to sub-regional needs, as overarching regional strategies may not be able to respond to these needs effectively.

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<sup>2</sup> For example the Learning and Skills Council and Small Business Service.

- 2.10 In Western Scotland (Objective 2), a number of specific recommendations were made in this context. The evaluation noted that the Programme appeared to be most effective where strategies and delivery arrangements were most closely aligned. The ability of the Programme to attract co-finance was seen to diminish if national/regional strategies were changing significantly. The Programme would have to recognise and adapt to the more recently designed strategies, structures and approaches to maximise its impact.
- 2.11 It was recommended that the Programme take a pro-active stance by re-launching itself to some of the new Partnerships, showing how Programme funds could be used to mutual benefit. It was recognised that there is a need to establish formal and ongoing working relationships with the new agencies created since Programme inception, with one possible method being through reviewing membership of Programme committees to reflect the new developments. It was emphasised that projects designed to meet the national agenda but delivered and managed through Local Partnerships could produce clear regional benefits. It was also recommended that the Programme should also take steps to attract the new sources of co-financing that were emerging.
- 2.12 For the West Midlands (Objective 2), the MTE noted the emergence of cluster-based policies (aimed at developing specific sectors in specific locations) as being particularly important, and recommended that this should be reflected in a change in the sectoral focus of the Programme. In addition, the report commented that the introduction of alternative sources of funding had affected demand for the Programme among certain partners for particular activities, especially in the context of increasing resources for Community Economic Development (CED). The MTE recommended that the Programme take greater account of the new context, for example by undertaking a strategic assessment of the degree of integration between the England Rural Development Plan and the Programme. In Wales, the weak performance of rural development measures and ICT objectives in the Objective 2 Programme was seen by the evaluators to suggest that the Programme operated “in

competition with other programmes, such as LEADER+ and Information Society initiatives” (Objective 2/T MTEU, p. 118).

- 2.13 In the East of Scotland (Objective 2), the point was made that without flexibility, spatial targeting becomes obsolete and ineffective – there is a need for the ability to adjust to changing socio-economic circumstances.

*Programme design*

- 2.14 Drawing up multi-annual programmes ('programming') to plan and deliver Structural Funds interventions remains a core principle underpinning the whole implementation process. 'A Study on the Efficiency of the Implementation Methods for Structural Funds<sup>3</sup>' (ÖIR/LRDP/IDOM, 2003) concludes that the programming approach to Structural Funds allocation and regional development should be maintained and reinforced and was in fact “*a very valuable means of ensuring legal and financial certainty for planners and policy implementers and for project promoters and managers over a prolonged period of time*” (p. 7).
- 2.15 While programming continues to be seen as a useful approach, many of the evaluations noted that it was important to focus programmes at the strategic level rather than attempting to detail the programmes to a high degree. In this context, the designation of Measures was seen as limiting the flexibility to adapt the programmes throughout the programming period. For example, the Objective 1 and 2/T MTEs in Wales found that the division of the Programmes into Measures did limit flexibility in terms of project development and programme management. These MTEs also noted that in some cases there was a lack of clarity in the distinction between Measures.
- 2.16 The Objective 1 MTEU for Wales noted that there was a vast array of policy goals within the current Objective 1 Programme, and the link between Measure and headline objectives was not always clear. Perhaps as a result, projects were not consistently focused on Programme headline objectives.

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<sup>3</sup> This was a process focused study to provide input to the EC on the design of implementation processes for Structural Funds.

Comment: Depending on the overall policy framework, spatial targeting as well as targeting particular groups in society or types of businesses can be a useful way of ensuring that the funding can make a major contribution to headline objectives. This needs to be weighed up against potential rigidity being introduced into programme delivery – the designation of a detailed map for Objective 2 and Transitional support across the UK illustrated difficulties with an over-rigid approach.

*Conclusions and lessons learned: programme strategies*

- 2.17 In general, programme strategies remained relevant over the programming period, although there were a few cases when strategies had to be revised during the programming period, as picked up by the various MTEs. Across UK Programmes, recommendations for re-alignment or adjustment were usually made to take into account changes in socio-economic conditions or economic development strategies in the regions concerned. It is important that programmes adjust to changes in regional or national strategies as overlaps and duplications with other funding programmes and policy initiatives (EU or national) can lead to reduced demand for Structural Funds interventions.
- 2.18 Although programming was found to be and continues to be a useful framework to deliver the Structural Funds, the relatively rigid designation of Measures in the last programming period limited flexibility to develop and manage programmes effectively.
- 2.19 The discussions of this chapter and above conclusions lead to several lessons learned:
- To be most effective, programmes need to be closely aligned to national and regional economic development strategies and to the key aims of organisations delivering these strategies.
  - There needs to be sufficient flexibility in the programmes to adapt to changed national and regional contexts and socio-economic conditions as

well as taking into account any overlaps and duplications with other funding programmes which emerge in the course of the programming period. There should be a pro-active approach to reviewing of the programmes to ensure that required changes are anticipated.

- For the 2007 – 2013 programming period, the Commission has decided that the designation of Measures is no longer required. The use of Themes in the programmes is conducive to helping define the kind of projects which will be supported under each Priority but care needs to be taken that Themes will not limit the flexibility of the programmes.
- Having a large range of policy goals and objectives can make it difficult to link specific Priorities and Themes to the attainment of headline objectives. This makes it important to focus the Structural Funds in a limited number of policy areas. While this applies to the new Convergence Programme, it is even more important for the smaller Competitiveness and European Social Fund Programmes.

### 3 PROGRAMME PERFORMANCE

- 3.1 This section discusses the findings of UK and Wales' programme evaluations, focusing on programme performance. The chapter firstly provides a brief overview of the progress made by various regions and programmes in the UK.
- 3.2 It then looks specifically at progress in Wales, organised under broad headings corresponding to emerging Priorities under the new Programmes in Wales. Although there may be some overlap with regards to outcomes achieved, we have as far as possible discussed policies under the key objective to which they are relevant. These specific sections focus on the previous Welsh Programmes although specific findings from the rest of the UK have been added where appropriate. General conclusions and lessons learned are presented in the final section.

#### *Progress against financial and outcome targets - UK*

- 3.3 Analysis of UK SF programme evaluations (including both evaluations and evaluation updates, as detailed in the following paragraphs) reveals a mixed picture in terms of programme targets being met. The programmes that were broadly expected to meet targets included the East of England Objective 2 ('Mid Term Evaluation', Centre for Strategy & Evaluation Services 2003), the West Midlands Objective 2 ('Mid Term Evaluation Update', GHK Consulting and Fraser Associates 2005) and the Highlands and Islands (Transitional) Programmes ('Mid Term Evaluation', Fraser Associates Management *et al* 2003).
- 3.4 On the other hand however, by the time of the Mid Term Evaluations both South Yorkshire Objective 1 (Wells *et al* (2003) and Yorkshire and Humber Objective 2 (Leeds Metropolitan University and University of Hull 2003) were achieving relatively low outputs in relation to targets, although the Programmes were considered to be making strong financial progress. In South Yorkshire, changes in socio-economic conditions meant that many of the original targets (for both gross and net jobs) were too high. Similarly, in

Yorkshire and Humber, 15 of the 31 Key Output Indicators showed nil to poor progress and the appropriateness of the original targets was questioned.

- 3.5 In South-West of England Objective 1 Mid Term Evaluation (ECOTEC Research and Consulting Limited 2003), despite impressive commitment levels, the pattern of projected and actual outputs against targets was patchy (as at 1<sup>st</sup> June 2003), with projected results and impacts being well behind what was expected in relation to spending commitments at that stage, raising questions about the achievability of associated targets. At the time of the North East England Objective 2 Mid Term Evaluation (EKOS Consulting 2003), the ESF forecasts and achievements were low across the Programme. This was not entirely explained by difficulties gathering monitoring data from projects. Reasons for variations between forecast and actual outputs/results tended to relate to the characteristics of the supported projects, for example delays in project start and the long-term nature of the projects; although these factors should have been taken into account when forecasts were set.
- 3.6 Across the UK, the MTEUs showed that there was considerable variation in the progress made to date towards outputs and results targets. However, those responsible for running the Programmes generally believed that the majority of targets would be met by Programme end, and that a number would be exceeded. In many cases, targets, particularly output targets, had already been met or exceeded. At the aggregate level (England), a number of indicators were already performing at a level above the total of the targets in all programmes. Although performance towards output targets was generally strong, many programmes were making slower progress towards result and impact targets. This was generally attributed by the programmes to results and impacts not being expected to be observed until the end of the programming period. (ODPM 2005 p. 3).
- 3.7 Where targets were unlikely to be met by the end of the Programme, many Programmes had taken remedial action to attempt to resolve this. In the majority of cases there were still funds available that had not been committed, so there was still scope to turn the situation around. (Updated Mid Term

Evaluation of England Objective 1 and 2 Programmes - Collation of Regional Analysis – ODPM *ibid*)

Comment: Any shift in the allocation of funding to meet targets should be preceded by a careful analysis of why the targets were not being met to determine whether aiming to attain the target is still appropriate and whether the non-attainment is caused by underlying issues with the effectiveness of the projects.

*Progress against targets, commitment and spend – Wales*

- 3.8 In Wales, both at the time of the MTEs and at the time of the MTEUs progress against targets and in terms of commitment and spend was generally good across programmes. Overall, full achievement of commitment, spend, and indicator targets was anticipated. In several policy areas there was no need for concern regarding the achievement of targets. However, within certain policy areas of the Programmes, prospects for meeting targets were mixed. Below, programme performance is discussed under some of the broad objectives, corresponding to emerging Priorities for the new Programmes.

*European Social Fund*

- 3.9 Broadly speaking, the European Social Fund (ESF) focuses on enhancing employability and skills and reducing unemployment and economic inactivity to reduce inequality across Member States. The following section discusses Programme performance under these two core areas of ESF objectives.

*Employability and Skills*

- 3.10 Several of the Welsh policy areas can be identified as pursuing the integration of excluded groups into the labour market by enhancing their employability, widening and improving upon the skills base and enhancing human capital, and other such related objectives. This section provides an overview of the progress made in these areas. However, as noted in the Wales Objective 1 MTEU (2005), the evaluators concentrated on researching the impact of the

Programme in terms of the creation (and quality of) new jobs and SMEs, and did not include any primary research on a number of potential areas of enquiry, including management processes. In light of this, the commentary on the evaluations here is necessarily limited to reviewing progress made against targets in the areas concerned.

- 3.11 In terms of skills, under Objective 1, progress to June 2005 was encouraging against many of the Priority 4 (developing people) targets, with targets forecast to be met or over-performed in the areas of: new learners into learning opportunities; beneficiaries gaining a qualification and beneficiaries completing their courses; childcare provided; and young people receiving help before 6 months of unemployment. These strong positive forecasts are set in the overall context of 84% of funding under all Priority 4 Measures being already committed to projects.
- 3.12 In Objective 3, under Priority 3 (Lifelong learning) Measures 1 and 2 (Developing new or improved guidance and learning systems; Increasing participation and attainment in lifelong learning), results were encouraging for 'beneficiaries who have completed their courses'; 'number of beneficiaries gaining a qualification'; 'number of beneficiaries in work on leaving' and 'numbers participating in lifelong learning'. Projects under this Priority were forecast to exceed output targets.

Comment: Overall, Welsh programmes have contributed greatly to stimulate learning, leading to higher numbers of individuals with qualifications and levels of qualifications being obtained.

- 3.13 However, there were disappointing results for Measure 4 (skills for innovation and technology) relative to funding committed, with low levels reached in relation to targets in terms of number of beneficiaries, numbers of companies and numbers of employees helped. The Objective 1 MTEU found that as of June 2005 there was "virtually no progress at all in terms of number of projects supported (p. 45, Old Bell 3 2005).

Comment: Specifying the set of skills to be achieved under a particular intervention can lead to low uptake. An approach that does not focus on a narrow set of skills but rather provides interventions that build on employer demand for skills and individual learner's preference and abilities can potentially provide better uptake and outcomes.

- 3.14 In order to evaluate the effectiveness of the training and/or advice that is provided through Structural Funds, the DWP and WEFO commission surveys of companies to thereafter make the relevant assessments. According to the survey carried out between June and November 2002 (PACEC 2003), the overwhelming majority of beneficiary firms which received support to develop the skills of their workforce said that they were wholly or largely satisfied with the training they received (44% and 39% respectively). Nearly half of beneficiary firms said that training had led or will lead to employees being awarded qualifications. Over 40% of the company beneficiaries said that they had experienced positive effects on their business' commercial performance as a result of the ESF training, including enhanced employee productivity, profitability and increased assets/market value, firm employment and sales and income.
- 3.15 The survey also found however, that a relatively high proportion of the trainees were in higher level, particularly managerial, positions, suggesting that the training was not always reaching those in lower to mid level skilled occupations. It was therefore suggested that refocusing of training programmes might be needed in order to pitch the provision of training at low and mid skilled workers. It also recommended that a greater emphasis on 'soft skill' training and more basic training would be desirable.
- 3.16 The Wales Objective 1 MTEU (2005) noted that if future objectives continue to focus on quality job creation and economic inactivity, then resources need to be 'aggressively' focused on interventions which can clearly be seen to lead to achievement of these objectives.

- 3.17 However, the ESF training was found in many instances to provide limited additionality. Although training under Objective 3 provided the greatest additionality (with 50% of firms reporting that they could not see how else the positive outcomes – particularly those relating to employee productivity could otherwise have been achieved) 22% of firms reported that they would definitely have taken alternative measures<sup>4</sup> if the funding would not have been available while a further 18% probably and 21% possibly would have taken alternative measures. Just under 4 in 10 companies would probably or definitely not have taken alternative measures (PACEC *ibid*).
- 3.18 However, the evaluators recommended that although the levels of additionality may seem disappointing, it is important to bear in mind that the alternative to ESF training in many cases may have taken place later, meaning that the positive effects would not have been felt until later, potentially harming the immediate competitiveness of these companies. Nevertheless, the evaluators recommend that those who manage the funding for ESF training in Wales carry out further work to examine the extent to which the funding is duplicating provision.

Comment: Firms in Wales were generally satisfied with the training provided under ‘improving skills’ projects and firms reported improved commercial performance. However, there was a large degree of deadweight.

- 3.19 A report to the Department for Work and Pensions (DWP) on the England and Gibraltar Objective 3 Programme recommended, with regards to future programmes, that public support for workforce development should continue after 2006. However, the report also recommended that it should be made clearer when the training and development is aimed at companies’ commercial performance and where it is targeted at particular, disadvantaged groups in the labour market. The report also noted that a degree of realism is required in

<sup>4</sup> I.e. would the companies have pursued different means in order to achieve the outcomes pursued by adopted ESF funded training? 88% of respondents replied that although they would have found other means of carrying out the same kind of training had the ESF funds not been available, 26% replied that it would have taken place at a later date (Table 3.24 and 3.23 respectively in the 2002 survey (PACEC 2003).

the assessment of how much training and development can contribute to company growth (Evaluation of the ESF Support for Companies, Fraser Associates report to DWP, 2005).

Comment: It is difficult to make the direct link between any individual activity (such as training or R&D) and the company's bottom line, which will depend on a range of factors (for example market conditions). In many cases, it will be the willingness of companies to invest scarce resources in a particular area that provides the best indication of the value attached to an activity.

- 3.20 One of the key new areas of intervention which has emerged strongly over the last programming period is that, in addition to 'hard' outcomes such as skill attainment, 'soft' outcomes such as increased confidence are also of importance to enhance employability. Many ESF projects helped beneficiaries to achieve soft outcomes such as higher levels of confidence and motivation, better skills in communicating and interacting with others, and a greater ability to manage their own lives. The economically inactive group made substantial gains in terms of enhanced employability and improved self-confidence. (Leavers Survey, Wales, 2002 Atkinson, Miller, and Gerova, 2004). It is worth noting that this survey was followed up in 2005 to track the progress of those who had participated in the original 2002 survey in order to gain an insight into the longer-term paths of beneficiaries after completion of their courses. In addition to reporting positive improvements in their employability, many respondents were still likely to say that they had improved their confidence and/or self esteem (Follow-up Survey of European Social Fund Leavers, DWP 2005).

Comment: While soft outcomes can clearly be linked to hard outcomes (for example, individuals with higher levels of motivation and confidence tend to perform better in the labour market), it is important to determine at the outset of projects whether these soft outcomes are simply designed to be a stepping stone to enter the labour market or whether they are pursued as outcomes in their own right.

- 3.21 The soft outcomes achieved as a result of participation were valued by project sponsors and beneficiaries alike, though few project sponsors had systems in place to capture and measure the outcomes and they were not captured at Programme level (Objective 1 and 3 MTEUs).
- 3.22 Across the UK, all groups of ESF beneficiaries<sup>5</sup> reported a high level of soft and work related skills development, and minority ethnic groups reported the highest levels of these benefits from the projects. (‘Evaluation of equality mainstreaming in ESF Objective 3’ ECOTEC 2004)
- 3.23 One key objective of the ESF interventions is to improve the gender balance in the workplace. However, very few projects were designed to specifically address issues of gender segregation or to affect the support infrastructure that affords men and women equal access to learning and work. Progress was disappointing against the training in higher level skills target, although in terms of numbers undertaking training in under-represented occupations – a key indicator of tackling horizontal segregation – both achieved and forecast numbers were already well in excess of targets.
- 3.24 However, the Evaluation of equality mainstreaming in the English ESF Objective 3 concluded:

“Overall, very few beneficiaries were given opportunities in non-traditional occupational areas for their sex. Levels of training for women and men in nontraditional occupations also need to increase.” (p. iv)

Comment: In Wales, few projects were aimed at addressing horizontal or vertical gender segregation.

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<sup>5</sup> Disadvantaged groups targeted by the programme: women, ethnic minorities and people with disabilities.

Tackling Unemployment and Inactivity

- 3.25 One of the key areas of intervention for the ESF Programmes is to reduce worklessness by promoting employment for those currently unemployed or economically inactive. The Leavers Survey 2002 (Atkinson *et al* 2004) suggests that, in terms of ESF interventions under Objective 1 and 3, following participation in the projects, there has been an increase in the proportion of respondents in paid employment. However, the Programmes appeared to have been less successful in reducing inactivity within the sample. (Leavers Survey, Wales, 2002 Atkinson *et al ibid*)
- 3.26 The Objective 3 MTEU (Old Bell 3 2005) found that there was conflicting evidence surrounding the proportion of beneficiaries likely to progress into employment and/or learning following participation: “Project sponsors appeared to be over-optimistic in their view of the proportion of leavers who would progress into employment, whilst beneficiaries probably over-estimated the extent to which they would progress into further learning” (p. 3). Project sponsors estimated that around two fifths of learners would progress into employment but less than a fifth of beneficiaries believed they would progress into employment. The results were somewhere in between with around 25% of leavers entering jobs immediately.
- 3.27 In Objective 3, the aggregate data suggests that there was weaker than anticipated performance on employment outcomes for inactive and unemployed beneficiaries. In some cases, projects appeared to be primarily concerned with prioritizing soft outcomes and meeting the social and personal needs of the beneficiaries rather than enabling them to progress towards participation in the labour market (Objective 3 MTEU).

Comment: Some beneficiaries will be at some distance from the labour market. This has implications for the cost of delivery as the marginal cost of achieving a positive outcome for an individual will clearly be higher, for example requiring multiple or longer interventions to enable entry into employment.

- 3.28 The ESF Wales ESF Leavers Survey 2002 (Atkinson *et al* 2004) notes that it is crucial to determine the different employment circumstances of the beneficiaries from which they join the project. It suggests a distinction should be drawn between those already in work, those who are unemployed and those who are economically inactive. In the current programming period, the Priorities and Measures were used to streamline the focus of ESF interventions. Several Measures under various priorities were selected to represent various policy ‘clusters’ to highlight and measure the focus and impact on employed, unemployed and inactive beneficiaries, as well as on other targeted groups. Social Inclusion (ESF Programme Priority 4 Measure 2) and Improving Female Labour Market participation (ESF Priority 4 Measure 5) were especially targeted on inactivity. Social Inclusion and Active Labour Market Policies (ESF Priority 4 Measure 2 and ESF Priority 4 Measure 1 respectively) are also targeting a higher than average percentage of long term unemployed while Adaptability and Entrepreneurship (ESF Priority 1 Measure 4) has the clearest focus on those already in employment (almost 2/3)<sup>6</sup>. (Leavers Survey 2002)<sup>7</sup>
- 3.29 Within the sample assessed by the Leavers Survey, a substantial majority of Priority 1 (developing active labour market policies to prevent and combat unemployment) project beneficiaries were unemployed or economically inactive. Projects were primarily concerned with preparing people for sustained employment as opposed to helping them achieve qualifications. Measure 1 (preventing long-term unemployment) projects in particular seemed to be successful in attracting the long-term unemployed. However, rather perversely (given Measure 2’s focus upon re-integration of the long term unemployed), Measure 2 projects appeared to have attracted more short term unemployed beneficiaries than might have been expected.

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<sup>6</sup> See Table 2.1 in the 2002 Leavers Survey for further information.

<sup>7</sup> Note that Priorities and Measures are detailed in Annex B.

Comment: If interventions are specifically designed for particular target groups (e.g. the long term unemployed and/or those in economic inactivity), this should form part of eligibility criteria. However, if the interventions are intended to also support broader groups (e.g. short term unemployed), the definition of Measures (or Themes) and targets should encompass these groups.

- 3.30 Gender equality, and more generally equal opportunities, are one of the Structural Funds' "horizontal" Cross Cutting Themes (CCTs) that are considered in Section 7 of this report. However, there are also outcomes and targets are being pursued "vertically", under Objective 1 Priority 4 Measure 5 (improving the participation of women in the labour market). According to the Mid Term Evaluation Update (Old Bell 3 2005 p138) the aggregate data for this Measure presented a mixed picture, with strong performance against many targets (for example, 'No of beneficiaries gaining a qualification', 88.9% of target achieved by June 2005), but poorer performance against targets for a number of innovative projects (48.8% of target achieved as at June 2005), numbers undertaking training in higher level skills and unemployed beneficiaries in work on leaving (6.8% of target by June 2005). Generally, projects had a strong emphasis on economic inactivity amongst women. In Objective 3, the aggregate data as at June 2005 would suggest that key output indicators in respect of Priority 5 (promoting gender inequality within the labour market) will be exceeded by the end of the Programme ('Mid Term Evaluation Update of the East Wales Objective 3 Programme' Old Bell 3 2005).

Comment: It is unsurprising that unemployment tended to feature less than economic inactivity among women, given that the key determinant of the lower employment rate of women is related to inactivity while the female working population tends to have lower unemployment rates than the male population.

European Regional Development Fund

- 3.31 The following section assesses a broad range of objectives which are pursued under European Regional Development Fund (ERDF) interventions and assesses the performance of the Welsh current Programmes with reference to their impact upon three key objectives of the ERDF, namely Assistance to Business and Innovation, Economic Infrastructure and Community Development.

*Assistance to Business and Innovation*

- 3.32 The Wales Objective 2/T MTEU (EKOS Consulting 2005) found that targets for initial advice to businesses/entrepreneurs were considerably exceeded, which led to concerns by the evaluators that not enough entrepreneurs were receiving further more intensive forms of assistance. In the view of the evaluators this carried the risk that many potential entrepreneurs were not continuing with their ideas or moving on to receive more intensive forms of assistance (p 36).
- 3.33 In terms of job creation as a result of assistance to businesses, in Objective 1 the evaluators' estimate of progress by Programme end against Programme targets suggested that the target would not be reached. A number of reasons for this can be identified. Firstly, the Objective 1 MTE found that although a small number of businesses interviewed had created jobs as a result of the support, the targets for job creation were too high. Although the targets were "appropriate" it was felt that due to historical trends in the labour market and difficulties in the manufacturing sector, the targets were perhaps "over-ambitious" (p 35). Although the total number of jobs reported was broadly in line with projects' forecasts, this was possibly due to double-counting between projects. On the positive side, however, half of those filling the jobs were previously inactive or unemployed and the jobs were reported by the employers to be sustainable.

Comment: While the evidence suggests that the targets were too ambitious, the jobs being created seemed to have helped a considerable number of individuals to enter the labour market.

- 3.34 In terms of the quality of jobs, in both Objective 1 and 2 the jobs created were usually low-skilled and poorly paid. However, this was broadly in line with the occupational mix in Wales. There are implications here for future programme design and emphasis in targets.

Comment: It would be useful if programmes could be explicit about whether the jobs created are intended as a first entry point into the labour market for those currently excluded or whether jobs created are expected in the higher skill/higher wage bracket.

- 3.35 Aside from target level and design, other reasons can be identified for shortfalls in the targets. In Objective 1 and 3 problems with transport and childcare, along with a lack of self-confidence, were the most frequently cited barriers both to participation in ESF projects and to accessing jobs at the end of beneficiaries' training by both project sponsors and beneficiaries.

Comment: It will be important to identify how far projects can be designed to overcome the key barriers identified to accessing employment, including barriers associated with individuals (e.g. skills), social infrastructure (e.g. childcare) or local labour markets (requiring transport to access employment).

- 3.36 Overall, the impact of the Programme in terms of new business creation has been low. There have also been disappointing results for the number of gross new high technology companies created, with only 7% of the target achieved by the time of the Mid Term Evaluation Update (Objective 1 Programme, Old Bell 3 2005 p 45).

Comment: Before committing funding to business creation in the new programmes, it will be important to consider what may have hindered achievements in the previous programmes. It will be important to identify the key barriers (e.g. in terms of motivational drivers, funding/finances, available skills etc.) to design Programmes and projects accordingly.

- 3.37 However, there was strong performance against targets under Objective 1 such as number of companies receiving financial support for R&D/innovation projects and the number of companies given advice/information by R&D/innovation projects. There were also good results for numbers of firms benefiting from e-commerce and ICT support – at the MTEU (Old Bell 2005) achievement was already above target and was forecast to go up to 27% above target (p 45)(Objective 1). However, under Objective 2, the two ICT activity targets were low in terms of forecast against Programme targets, although actual achievement against forecast is good ('Mid Term Evaluation Update of the Wales Objective 2/T Programme' EKOS Ltd 2005). Outcomes for Priority 1 Measure 1 (support for enterprise) indicators have been encouraging with performance against most outputs and results indicators forecast to exceed targets (e.g. achievement of new direct jobs, jobs safeguarded and increase in turnover, innovation and SME development). The major exception is the number of new SMEs receiving assistance (Objective 2 MTEU EKOS Ltd *ibid* p 36).

#### Infrastructure

- 3.38 Most of the targets of Objective 1 Priority 6 (strategic infrastructure development) were forecast to be achieved by the end of the Programme. In fact, most of the targets were forecast to be exceeded considerably – for example the target 'No. of km of transport route built/improved' was forecast to achieve 787% of its target (Objective 1 MTEU Old Bell 3 2005 p53-54).

Community Development

- 3.39 One method used to encourage business development in less advantaged areas has been the provision of business sites and premises. According to the MTEU for Objective 1 (Old Bell 3 2005) occupancy rates in completed sites and premises were generally high and businesses which moved into these premises identified increases in employment and turnover since moving into the new premises. However, a number of targets for key indicators (e.g. jobs accommodated) are unlikely to be reached by the end of the Programme (Old Bell 3 *ibid* p 150)..
- 3.40 However, businesses occupying these premises were generally happy with the accommodation. The quality of the development was overwhelmingly seen – by both project sponsors and SMEs occupying the premises provided through the project – as one of the principal reasons for the SMEs to locate within the Objective 1 area (Objective 1 MTEU Old Bell 3 2005 p 150). The investment in sites and premises under Objective 2 Priority 1 Measure 3 has had the desired effects in terms of business growth and market outlook ('MTEU of the Objective 2/T Programme' EKOS Ltd 2005 p VI). Importantly, at the project level, there was much evidence of additionality reported through the ERDF funding, with the companies surveyed taking advantage of new high quality space in order to expand.

Comment: The development of new business premises has influenced companies' location decisions and has had an effect on business growth.

Comment: The development of new business premises needs to be based on underlying market demand to avoid the creation of premises which will be under-utilised. It is also important to consider the extent to which business activity has been displaced from non-supported areas.

- 3.41 Good progress has been made in supporting community services/facilities (70% of target achieved as at June 2005) and assisting or creating social economy businesses (120% of target forecast to be achieved as at June 2005) (EKOS Ltd 2005)). The same report found however that while renewable energy developments have progressed well against targets in the Core Programme Area, achievements in the Transitional Area have been disappointing to date. In general the 2/T programme was found to be successful in incorporating environmental sustainability values into projects of various natures, the programme was less successful at actually steering investment into the creation of specific environmental schemes.

Comment: The development of local economies is likely to have benefited from support for premises as well as support for social businesses but it is difficult to make the link directly as it is difficult to establish the counterfactual (what would have happened without the interventions) and to attribute local economic activity directly to these interventions.

*Conclusions and lessons learned: programme performance*

- 3.42 Performance against targets set at the programme design stage at the UK level was patchy, with no clear trend emerging overall. In general, those responsible for running the programmes were optimistic that the majority of output targets would be met by the end of the programmes, although this was not the case for result or impact targets where it was felt that it would take longer than the programming period for the targets to be achieved.
- 3.43 In general, most of the programmes in Wales had progressed well against targets, commitments and spend at the MTEU stage. However, several areas in which targets were not being met have been flagged up and provide important lessons for future target and policy formation. Reasons given range from targets themselves being too ambitious, to problems and barriers in the wider economy, to there being a need for objectives to be clearer on what exactly their main aims and focuses are. It is of key importance to bear these reasons in mind at the target setting stage of future programme design as they

provide vital insight into the appropriate and realistic level of future targets, and the need for clear definitions of objectives and the corresponding indicators. Further, these reasons given also serve as a reminder that adverse conditions or changes in the wider economic environment can hinder (as well as help) progress towards meeting targets.

3.44 Some overarching lessons relating to general programme design can be identified:

- When setting results and impact targets, care should be taken to ensure that these can be realised within the programming period timeframe. Whilst it is desirable to measure the results and impacts of the programmes, the monitoring system and the choice of indicators (and associated targets) are in many cases not the most appropriate way to measure longer-term effects.
- It is useful to retain a degree of flexibility in the allocation of funds to ensure that funding can be targeted at those areas where additional activity is required to meet targets.
- In the areas of development of employability and skills and reducing unemployment and inactivity – i.e. the objectives that fall under the ESF umbrella - the following lessons have been identified:
- With regard to design and measure of targets and indicators, it is key that the labour market status of beneficiaries is recorded at the outset of the project so that differentiation between outcomes achieved for individuals with varying employment/unemployment status can be identified.
- Projects aimed at tackling unemployment and inactivity seem to be more successful in helping people to move into paid employment from unemployment than from economic inactivity, probably indicating different distances of individuals from the labour market.
- Project sponsors appear to over-estimate success rates associated with their intervention in terms of moving people into employment.

- There is still considerable uncertainty about how to measure soft outcomes, such as increased self-confidence, and about how these soft outcomes affect labour market outcomes. For the new programming period, it will be important to provide easily accessible guidance to relevant projects from an early stage.
- In terms of workforce development, there needs to be clarity as to whether the key aim is to provide businesses with the skills needed or to help disadvantaged groups in the labour market.
- With regards to the objectives relating to business development, infrastructure and sustainable development – i.e. those objectives that fall under the ERDF umbrella – a number of key lessons emerged:
- Programme targets for a number of new SMEs being assisted are not being met. This indicates that the whole area of support for business start-ups or recent start-ups needs to be considered carefully to determine how Structural Funds can effectively contribute in this area.
- When setting targets associated with the development of new business premises, the long timespan in terms of realised impact should be taken into account. Benchmarks could be derived from the experience in the last round of programming.

## 4 INDICATORS AND QUANTIFICATION OF TARGETS

- 4.1 Improvements have been made in the present period in identifying indicators and setting targets. However, some problems persist:

“In particular, indicators often lack a clear definition and proliferate in some cases, especially where programmes have too broad a focus. “ (European Commission 2006a, p. 166)

- 4.2 Analysis of the English Objective 1 and 2 Programmes (Updated Mid Term Evaluation of England Objective 1 and 2 Programmes – Collation of Regional Analysis) revealed a number of weaknesses in indicators, target setting and data collection systems. The following sections discuss indicators and targets in turn.

### *Indicators*

#### Indicator definitions

- 4.3 To encourage widespread use of indicators, one of the key issues noted across Programmes is the need to provide good definitions. EU-wide, DG REGIO reported that MTE evaluators found :

“In many cases, inadequate definition of indicators was identified as a problem and recommendations were made to address this issue. “ (The Mid Term Evaluation in Objective 1 and 2 Regions - Growing Evaluation Capacity, p. 42)

- 4.4 Stakeholders in the Highlands and Islands (Transitional) programme noted that definitions should be provided for all indicators whilst evaluators in the H&I MTE (2003) recommended that “supplementary guidance on the relationship between indicators and some worked examples would be useful” (p 8). In the East of Scotland (‘East of Scotland Objective 2 Programme Mid Term Evaluation’ EKOS Ltd 2003, p 81), projects often misinterpreted definitions of performance indicators.

- 4.5 Programme Managers in Scotland's Objective 3 Programme did not understand indicators clearly and misreported against them as a result. Similarly, the Wales Objective 1 and 3 MTEs and MTEUs found that not all indicators could be meaningfully defined and it was difficult to measure progress against some indicators, for example those related to turnover. However, over time, good progress has been made in providing definitions for key indicators (Wales Objective 1 MTEU).
- 4.6 At the MTE stage in Wales, clear and practicable definitions of indicators, advice on how to monitor them, and requirements for evidencing performance, were found to be needed (Wales Objective 1 MTE and MTEU, INTERREG IIIA MTEU and Objective 3 MTE).

#### Results and impacts

- 4.7 In some areas, the full range of indicators within the indicator frameworks were used. For example, Objective 2 projects in Wales used the full spectrum of available indicators to measure their achievements (Wales Objective 2/T MTE). In general, indicators measuring activity/outputs were used widely but across the UK, there were specific difficulties with measuring results and especially impacts. It was also not always clear how the activity, result and impact indicators were linked (for example, Wales LEADER+ MTE). Measuring impacts is often complicated as they occur after the programme period – for example, stakeholders in the Highlands and Islands (Transitional) programme expressed concerns about the timespan for results and impacts to be realised.

Comment: Impact assessment issues should be considered from the design stage of the new programmes. It should be explicit in programme documentation whether impact targets relate to all programme spending or just to the SF component.

Indicator frameworks

- 4.8 Evaluations across Wales and in the rest of the UK noted that a smaller number of indicators would be helpful. This was recognised in the Commission's draft working paper on targets and indicators which acknowledges that the large number of indicators in many programmes made it difficult to track progress and that a smaller number of key indicators will be helpful.
- 4.9 A number of UK MTEs found that the indicator framework needed to be revised. For example, the West Midlands Objective 2 identified a need for substantial revision to selected indicators so that the indicators more accurately reflected the scope of the Measures. In the East of Scotland Objective 2 Programme MTE (EKOS Ltd 2003), streamlining of Scotland-wide performance indicators to exclusively utilise Scottish Core Indicators<sup>8</sup> (p. 29), as opposed to a mix of various indicators, necessitated a redrafting of the Programme Complement in 2002. Progress against a considerable number of performance indicators appeared poorer than was the case as specific indicators<sup>9</sup> were substantially under-reported against or not selected by projects. On the other hand, many results and outputs seemed overly optimistic with regard to reported achievement levels. Stakeholders in the Highlands and Islands (Transitional) Programme expressed concerns about the system for measuring performance, including ways in which indicators have been applied and limitations of the framework for taking full account of soft outcomes.

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<sup>8</sup> The Scottish Core Indicators were a set of agreed common indicators for all the Scottish Structural Fund programmes, designed to ensure consistent reporting on a Scottish level.

<sup>9</sup> For example the H&I MTE 2003 found that one area of shortfall in one of the measures was the 'number of beneficiaries completing their course'. It was advised that this is due to under-reporting and is being further investigated (p. 34).

Data collection on beneficiaries

- 4.10 The Objective 1 MTE found that sampled projects generally had robust systems in place to prevent double counting. However, double counting of outputs between projects (as opposed to within projects) was identified as an issue. Establishing a central database of beneficiaries and final recipient SMEs would help with the provision of more accurate data (Wales Objective 1 MTEU).

*Quantification/Targets*

- 4.11 Across the EU, the Commission noted at the MTE stage that:

“The quantification of objectives is an area where most evaluations found room for considerable improvement, although there were some very good examples of quantification of objectives feeding into an effective monitoring system.” (The Mid Term Evaluation in Objective 1 and 2 Regions - Growing Evaluation Capacity, p. 42)

- 4.12 An EKOS report to the European Commission analysing the Single Programming Documents submitted to the Commission by the UK regions identified a range of benchmarks for use in estimating activity, result and impact targets. This was used as a starting point by a number of UK regions and consequently quantification of objectives in the UK Programmes was considered to be generally of a good quality.

<p><u>Comment:</u> To ensure consistent use of benchmarks across the new UK programmes, centrally co-ordinated research into establishing benchmarks across the UK would be useful.</p>
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- 4.13 A considerable number of programmes have revised their targets since the beginning of the programming period. For example, the West Midlands Objective 2 Programme) required a complete re-quantification of Programme targets in their entirety, to be carried out in consultation with partners (Mid Term Evaluation p xiv, GHK and Fraser Associates 2003).

- 4.14 Some of this is likely to be due to the difficulties associated with setting such targets before programme delivery commences but it also indicates that initial target setting may not have been as accurate as it could have been:

“Given that the majority of programmes have revised their targets since the beginning of the programme, this suggests that initial target setting was not as robust as it could have been. A number of programmes highlighted instances of inaccuracies in the definitions of targets, the assumptions underlying them, or the baseline figures used to calculate the targets.” (Updated Mid Term Evaluation of England Objective 1 and 2 Programmes - Collation of Regional Analysis, p. 19))

- 4.15 The fact that a number of targets had already been vastly exceeded, while in other areas overall performance was forecast to fall seriously below target levels, also suggested flaws in the target setting process or the validity of the monitoring data.
- 4.16 More clearly defined and quantified baselines would have assisted target setting for the Objective 2 Programme in Wales, particularly in relation to impact indicators (Wales Objective 2 MTEU). Some large projects set targets pro rata based on Measure targets, according to the proportion of Measure funding they are seeking (Wales Objective 1 MTE).
- 4.17 In Yorkshire and Humber (‘Objective 2 Mid Term Evaluation’ Leeds Metropolitan University and University of Hull 2003), further guidance on the logic underpinning targets and quantification was being sought by sponsors to allow for a clearer and more critical approach to project design (p 95). Targets were revised as part of a comprehensive review of the quantification of Objective 2 recommended by the MTE:

“Quantification needs to be rigorously examined and revised in Objective 2 for the second half of the Programme - perhaps drawing on the experience gained by Objective 1 in its review of quantification. In this review a key objective must be simplification – in individual indicators and in the totality and range of indicators” (Yorkshire and Humber Objective 2 MTE 2003, p. 161)

- 4.18 Even where the process of setting targets was assessed to be sound, revisions were required over time. For example, the North East England Objective 2 Programme (Mid Term Evaluation, Centre for Strategy and Evaluation Services 2003) target setting was assessed as being a very thorough process, with reasonable assumptions underpinning the exercise<sup>10</sup>. However, a need for re-quantification was identified to ensure accurate benchmarks were being used. A need was also identified to examine actual costs, such as recent increases in construction costs for example; and including costs incurred by delivery partners.
- 4.19 Even a comprehensive quantification exercise can not cover all possible inputs and outputs. A recommendation from Good Practice research notes that projects should be encouraged to identify and monitor against input and output targets over and above those set in the Programme document, if the latter give only a poor approximation to the true benefits of the project. ('Good Practice in Structural Fund Project Management' WEFO 2005a)

*Conclusions and lessons learned: indicators and targets*

- 4.20 This section has discussed indicators and quantification of targets with a view to drawing out the conclusions and lessons learned that could contribute to improving design and quantification of targets in the future. This was identified as being an area where although good progress was made in the last programming period, scope remains for improving upon current practice.
- 4.21 The importance of target specification should not be underestimated. Although there are clearly inherent difficulties in setting targets at the outset of the programmes, misspecification of targets or flaws in the collection of data can lead to difficulties in attaining targets. A review mechanism could potentially mitigate this.

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<sup>10</sup> The exception was the treatment of tourism, where deadweight assumptions were judged by the MTE evaluators to be implausible.

4.22 The following are the main lessons learned from the experiences discussed above:

- Indicators need to be defined at the outset and it is critical to ensure that all indicators are meaningful by (for example) using indicators already in use in the delivery of similar programmes as well as drawing on the EU guidance available<sup>11</sup>. In this respect, guidance needs to be supplied at the outset to encourage the correct usage of indicators, with a specific focus on hard-to-measure results and impact indicators.
- A smaller number of indicators would help to encourage consistency in monitoring and improve data quality. It was found that in the East of Scotland considerable streamlining of indicators took place in this respect.
- To avoid double-counting between projects, a database should be established in Wales which identifies final beneficiaries (SMEs/Individuals).
- Projects should be encouraged to monitor targets over and above the minimum requirements.

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<sup>11</sup> For the next programming period 2007-13, guidance on indicators for monitoring and evaluation of programmes can be found in the draft working paper (European Commission 2006b) [http://ec.europa.eu/regional\\_policy/sources/docoffic/working/doc/indic\\_sf2007-2013\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/indic_sf2007-2013_en.pdf)

## 5 IMPLEMENTATION SYSTEMS

- 5.1 Across the EU, considerable improvements in implementation systems were found, particularly in terms of project selection procedures, financial control, monitoring, and evaluation. In the UK, project development, appraisal and selection systems were found to be substantially improved. Notwithstanding these improvements, numerous recommendations were made at EU-level suggesting improvements to implementation systems. Below the paper focuses mostly on implementation in Wales with some wider conclusions being drawn from programmes elsewhere.

### *Partnerships*

- 5.2 Partnership in delivery is one of the core principles of Structural Funds. The Commission notes that partnership in the design and implementation of programmes has become stronger and more inclusive, involving a range of private sector entities, including the social partners, as well as regional and Local Authorities. According to the Third Report on Economic and Social Cohesion (pg xxi) “This has led to better targeted and more innovative projects and improved monitoring and evaluation of performance and the wider dissemination of information of their results, at the price, in some cases, of additional complexity of programme management” (European Commission 2004).
- 5.3 Partnerships were identified by many of those working within the Programmes in Wales as a key element of ‘added value’ (Wales Objective 3 MTE). The Objective 1 Partnerships generally appeared to function well (Wales Objective 1 MTE). Expertise and capacity has been successfully built within Partnerships and should be made use of in future programmes (Wales Objective 2/T MTE).

- 5.4 There is evidence that the Structural Funds have stimulated strategic partnership working and, over time, have enhanced capacity for developing strategic responses to regional development problems. Programmes were considered to show a strong partnership basis for programming and implementation, bringing together sectors and agencies that had not previously worked together (see for example East of Scotland Objective 2).
- 5.5 While partnership working has been one of the successful elements of the Structural Funds implementation system, there are some practical concerns that need to be addressed, including the need for a “clearer definition of the partnership relationship between the Commission, Member States and Regions in a manner that identifies the specific contribution that each can make to increasing the efficiency of the implementation system and achieving the goals of simplification” (‘A Study on the Efficiency of the Implementation Methods for Structural Funds’ ÖIR in association with LRDP and IDOM 2003 p 16). In Wales, there was some confusion among partnership members as to their role and responsibilities (Objective 1 MTE). Ongoing training should be provided on this and other issues, such as project selection (Wales Objective 1 and 3 MTEs).
- 5.6 Close links which have developed on an ad hoc basis exist between some Partnerships. It was found that the organisational structure did not ensure that Partnerships worked together and shared good practice with one another (Wales Objective 2/T MTE). It was further noted that the ‘media magnifying glass’ focused on Objective 1 in Wales did not encourage the sharing of bad as well as good practice, which, it was concluded in the Mid Term Evaluation (CRG Research Ltd 2003 p 108) was what was needed. Further, the Wales Objective 2/T MTEU noted that networking and joint working should be encouraged in order to maximise the benefits of sharing best practice and help promote collaborative projects.

- 5.7 In Wales it is worth noting the key operational differences that affect the local and regional partnerships. Whilst the Local Partnership Secretariats are financed by Technical Assistance matched by the relevant Local Authority; the Regional Partnership Board is financed by the Welsh Assembly Government via the Welsh Development Agency. The consultation carried out for the Objective 2/T MTEU (2005) in Wales found that the Regional Secretariat perceived that their resources were greater than those for the Local Partnerships - particularly for aftercare activity, and that staff duties had evolved through training to meet monitoring duties. On the other hand several of the local partnerships were uncertain regarding their role in monitoring projects, leading to the finding in the MTEU that improved clarity of roles, accountability and responsibilities regarding monitoring and aftercare is required.
- 5.8 As regards representation and balance of organization within each Partnership, it was found in the Wales Objective 2/T MTE that membership was relatively stable, given the inevitability of high turnover of individuals within representative organizations over the length of the Programming period. However, in local partnerships, with the exception of one, attendance at Board meetings tended to decline as the Programming period continued. At Regional Partnership level a system of alternates (the sharing of a seat around representatives) was found to keep attendance satisfactorily high.

*Involvement of private sector partners*

- 5.9 Private sector led projects are the exception and not the norm. There is the perception that accessing funds is complicated and time-consuming. To encourage private sector applications, the work of the Private Sector Unit is to be encouraged and support should be given to simplifying procedures, capacity building within the private sector, and building networks and sector groups. Regional facilitators could also be employed, and the use of key funds should be considered. (Wales Objective 1 and 2/T MTE)

Comment: Continuing effort is needed to involve the private sector in the Partnerships and in sponsoring projects.

*Administrative requirements*

- 5.10 A key complaint across Structural Funds programmes is the administrative burden, on projects, Partnerships and Managing Authorities. The Commission recognises that the control procedures required are often regarded by those involved in the implementation as unwarranted, given the costs involved, and as duplicating national systems. There are also concerns that the administrative procedures could discourage participation in Partnerships by voluntary/community sector or social partners and discourage these partners from bringing forward projects.
- 5.11 The Commission has recognised that there are concerns regarding the administrative requirements of the Programmes. In addition to concerns about duplication with national programmes, the Commission notes:

“A particular criticism is that the new requirements were decided at a late stage, forcing regions to modify systems which had already been defined. This led to delays in programme implementation, with knock-on effects because of the ‘N + 2’ rule, creating pressure to spend at the expense of quality and innovation. According to some Member States and regions, the cost of implementing all the financial control procedures required by the Commission is too high compared to the benefits achieved. The issue of cost is particularly acute for Objective 2 interventions. For these, there is evidence that implementation costs are a high proportion of total expenditure.” (‘Third Report on Economic and Social Cohesion’, European Commission 2004 p. 166). Although the report did not refer to a minimum project size as a means of reducing implementation and administration burdens and costs, it did highlight the success and further potential of partnership working for reducing administrative overlap. The report further recommended a need for a balance between rigorous management and the consequent administrative burdens this created.

Comment: While administrative burdens can be minimised to a certain degree, it is likely that a substantial burden will remain, especially for some of the smaller partners and projects. It might be useful to establish that projects should be of a minimum size.

- 5.12 Data on cost efficiency and cost effectiveness at the project and Programme level is difficult to come by. In general, the evidence points to substantial differences in the costs of implementation. There is a need for more data on this to be collected as part of the programming and monitoring process ('A Study on the Efficiency of the Implementation Methods for Structural Funds').

*Appraisal process*

- 5.13 The WEFO Customer Attitude Surveys (2004 and 2005) noted that the application forms were in need of improvement. Opinion appeared divided among customers on whether enough information about the progress of their application was provided. Equal proportions (48% in each case) of respondents replied 'yes' or 'no' to the question of whether they were kept sufficiently informed during the application process. Around half (46%) of respondents were of the opinion that feedback given to respondents by WEFO once the application is submitted was either helpful or very helpful.
- 5.14 Across the UK, where specific recommendations were made regarding simplifying or streamlining systems (for example North West England Objective 2 and East of England Objective 2), these tended to include what were considered to be over-complex application processes and the need for project selection systems to go beyond simply ensuring eligibility. For London Objective 2 ('Mid Term Evaluation of the Objective 2 Programme 2000-2006', ECOTEC Research and Consulting Ltd 2003), a need for more qualitative assessment during the project appraisal process was noted, bringing views of likely and desirable impacts to bear in order to enhance the more mechanistic scoring.

- 5.15 For Western Scotland (Objective 2), it was noted that the appraisal process was better at assessing and ensuring the funding of eligible projects than at adding value, or driving improvements in project quality. There was no evidence that the appraisal process had value as a predictor of actual project effectiveness. A radical change in approach was recommended, changing the emphasis from appraisal to monitoring, evaluation and feedback. It was recommended that the selection process accurately reflected the true scope and flexibility of the Programme, and that the flexibility available within the Programme to fund most of the activities partners would wish to undertake should be publicised (this recommendation was echoed in the East of Scotland Objective 2 MTE). Every attempt should be made to streamline the project application, appraisal and payment processes, through improved business processes, simplified scoring systems and fast-tracking projects that meet a defined standard.
- 5.16 Similarly, the Highlands and Islands (Special Transitional Programme) noted that the project selection process was rather over-elaborate in that the process involved consideration of a great many criteria; it was concluded that this had a tendency to dilute or cloud the focus on the fundamental value of projects. The MTE made the point that most of the impact of the Programme would come from a small number of key projects, as well as projects which extend existing activities to support economic, social and environmental sustainability across the region in innovative ways. In Scotland's Objective 3 Programme, again, a strong case was noted for simplifying appraisal and approval processes. In addition there was a recommendation to better relate project selection with likely project performance to allay concerns that the selection process did not adequately distinguish between high and low value projects and that well written proposals could successfully pass the selection criteria, regardless of their end value (Scotland Objective 3 MTE 2003)<sup>12</sup>. A case was also found for fast-tracking continuation projects, and for differentiating between large and small projects in the selection process so that procedures reflect and justify the size of the project. In common with other programmes, it

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<sup>12</sup> The evaluators of the Scotland Objective 3 MTE (2003) found a low correlation between 100 projects analysed by performance and the score given by the Advisory Group (p. 68).

was suggested that there would be a benefit from moving the majority of effort from application and selection to monitoring and implementation.

- 5.17 In North East England ('Mid Term Evaluation of the Objective 2 2000-2006 Programme', EKOS Consulting 2003), it was recommended to reduce the need for two or more appraisals for individual projects, as well as reducing the number of individual ERDF project applications – aggregating support to a smaller group of intermediaries, (however it was not suggested in the recommendation how this might be done). As regards management structure the recommendation was made that senior managers be appointed by the Government Office and European Secretariat to liaise with new sub-regional delivery vehicles. The 'alternative bidding' programming and application process generally provided scope for local/regional actors to develop projects to address specific local needs. However, the need for match funding, complex procedures, and time limited funding were felt to have deterred some groups from getting involved in ESF ('Evaluation of the Added Value and Costs of the European Structural Funds in the UK').

Comment: There appears to be a case to closely work with the projects in the appraisal process from the outset to help them to develop the projects rather than simply assessing projects. A smaller number of projects would facilitate this process.

#### *Financial implementation*

- 5.18 In case study research with Objective 1 projects in Wales, financial control measures are recognised as being an essential part of the accountability requirements of the implementation system. However, the introduction of the new regulations in the current programming period were seen by many of those involved in the implementation to have brought with them increased workload for already overburdened administrative personnel. While there is full endorsement of the need for accountability and control, the broadly held opinion is that there is room for introducing more flexibility and simplicity into the system ('A Study on the Efficiency of the Implementation Methods for

Structural Funds' ÖIR in association with LRDP and IDOM 2003). Any opportunities arising to introduce systems which simplify financial accounting requirements (e.g. greater flexibility on eligibility of expenditure, agreeing a system for claiming expenditure recorded on standard accountancy practices rather than that actually paid) should be exploited (*Good Practice in Structural Fund Project Management*).

- 5.19 Monitoring and control of underspending Objective 1 projects appeared to have improved from the time of the Mid Term Evaluation in 2003, to the time of the Update in 2005 ('Wales Objective 1 MTEU' Old Bell 3 2005 p 186).

Comment: Close, ongoing monitoring of financial performance of projects is essential to track progress and to take action if necessary. However, this needs to be balanced with the burden imposed by any extra monitoring requirements.

- 5.20 There was frequent slippage in the return of claims information (Wales Objective 1 and 3 MTEs). In part, this might have been due to the claim report being seen by some projects as complicated and not user-friendly (Wales LEADER+ MTE).
- 5.21 Final recipient SMEs and beneficiaries of projects were not always aware that the intervention received was partially financed through Structural Funds programmes (Wales Objective 1 MTEU).

*Ongoing project-level implementation*

- 5.22 The authors of a good practice guide on Structural Fund project management concluded that "There is a strong case, in the next programming period, for working with established and successful project sponsors to build on their experience and organisational expertise to develop further projects" (p. 7). The guide's authors also state that guidance from WEFO to projects should stress the importance of a) senior management of sponsor organisations always being engaged in project development, b) the project rationale being clearly in line with the sponsor's organisation mission, and c) insofar as is possible,

there being continuity between those developing and those implementing projects. (*Good Practice in Structural Fund Project Management*)

- 5.23 Further, the authors suggest that WEFO needs to consider whether it can work with academic/commercial providers to develop a standard short, practical training package on Structural Fund project management and promote this very actively: this will also necessitate a greater willingness to provide clear guidance on “grey areas”, for example, of eligible expenditure. (*Good Practice in Structural Fund Project Management*)
- 5.24 In the East of Scotland (‘Objective 2 Mid Term Evaluation’ EKOS Ltd 2003 p 5), evaluators recommended that the Programme Management Executive give feedback to Advisory Groups and other partners through case studies reporting best practice, and also reporting on projects that have failed to perform well, to highlight lessons learned.

#### *Additionality*

- 5.25 The principle of additionality<sup>13</sup> has been largely respected in Objective 1 regions, in the sense that the Structural Funds have supplemented rather than replaced existing public expenditure. However, verifying that this has also been the case as regards the Objective 2 and 3 Programmes, especially the latter, has proved more difficult (‘Third Report on Economic and Social Cohesion’).
- 5.26 Most evaluations have found that Structural Fund Programmes have delivered added value in a range of areas which are harder to measure, for example, in delivering innovative interventions, working in partnership, setting long term development priorities and by embedding good practice in areas such as monitoring and evaluation and mainstreaming of cross cutting themes such as equal opportunities. This highlights that it is essential not to interpret “additionality” as just meaning wholly new and different activity but rather as

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<sup>13</sup> Additionality in this sense is measuring whether the Programmes have delivered additional outputs/outcomes which would otherwise not have been delivered. It can also refer to achieving outcomes quicker or at a higher quality. In this sense, it does not refer to added value as explained in the subsequent text.

activity which produces additional or enhanced quality of outputs and delivery: projects should be encouraged which extend existing services in a way which cannot clearly be funded by established “core funding”. (WEFO 2005a)

Comment: It is important to account for additionality, demonstrating the full added value of using Structural Funding rather than domestic funding.

### *Monitoring and Evaluation*

- 5.27 The Commission has consistently highlighted the importance of monitoring and evaluation in programme implementation and consequently there tends to be a high level of monitoring and evaluation activity when compared to most national and regional domestic approaches across the EU. The advances which have been made in the past mean that there is a major opportunity to build on the experiences from the previous round to further strengthen monitoring and evaluation systems. This section looks at the experience of monitoring and evaluation discussed in some of the literature thus far, and makes a number of high level recommendations for future development of monitoring and evaluation systems.

### Monitoring

- 5.28 Evidence suggests that monitoring has not been as effective as expected, partly because of the difficulty of collecting meaningful information. (*Third Report on Economic and Social Cohesion* European Commission 2006a).

Comment: Monitoring systems are critical for future evaluations of programmes but there is an ongoing challenge to ensure that monitoring systems do not attempt to measure everything and so increase the administrative burden.

- 5.29 Project data quality was not found to be uniformly high (Wales Objective 1 MTEU and MTE, URBAN MTEU, Objective 2 MTE). Projects did not always ensure strong linkages between interventions and the reported outputs or keep the required evidence (Objective 1 MTE and MTEU).

- 5.30 More post-approval contact with projects might help with this (Wales: Objective 1 and INTERREG MTEs). Alternatively a new approach, for example issuing looser definitions and applying discount factors to the figures provided, could be considered (Wales Objective 1 MTEU). There also needs to be stronger encouragement for projects to monitor beneficiary satisfaction and the quality of the service provided for projects and for this information to be used to reflect on and make adjustments to project delivery (WEFO 2005a)
- 5.31 Lack of qualitative project monitoring was a source of frustration at all levels of project and programme management. This was seen to delay identification of problems in project delivery by programme managers, and to hamper dissemination of good practice (Wales Objective 1 and 3 MTE).
- 5.32 There were often substantial delays between the achievement of outcomes and projects providing monitoring data to WEFO (Objective 1,2/T and 3 MTEs). Possible solutions included the online submission of monitoring data or providing a 'template' database to projects for recording beneficiary / SME final recipient details. The latter option would also facilitate the central collection of beneficiary / SME final recipient data (Objective 1, 3, INTERREG IIIA and URBAN MTEUs, Objective 1 and 3 MTEs).
- 5.33 Projects should be encouraged to carry out follow-up work with beneficiaries (URBAN MTEU, Objective 1 and 3 MTE).
- 5.34 It is crucial to work with the projects and project sponsors to ensure that monitoring takes place consistently and across all projects. To achieve this, it is critical to make the process as user-friendly as possible, supplying guidance and templates throughout. Helping to inform project sponsors and projects at the outset why and what is monitored, and what they are expected to contribute to ongoing monitoring, can help to achieve consistency, as well as buy-in.

- 5.35 The appraisal stage (application) is critical to later monitoring and evaluation. Monitoring and evaluation determines whether projects are achieving what was originally set out and an incomplete initial appraisal can make it very difficult to assess whether a project is successful. For the purpose of transparency and consistency, it would be useful to establish a simple, concise template (with guidance alongside) which can be used by individual projects to record a number of key items of information (e.g. main objectives, target groups, targets, monitoring and evaluation plans) for each project at the outset.

### Evaluation

- 5.36 Evaluation has improved over time, but still varies considerably between Member States in the way it is implemented. In the 2000 – 2006 programming period, evaluations are required to be undertaken *ex ante* by Member States, and at mid-term in cooperation with the Commission — in time for the results to affect decisions on the remainder of the programme. Although *ex post* evaluations are required by the Commission, they are not required until two years after the programme ends which has led to the suggestion that this creates difficulty in making effective use of the results ('Third Report on Economic and Social Cohesion' European Commission 2004). It was further suggested that the process might be made more useful and relevant by increasing the involvement of regions and Member States in the process by thus more readily promoting and highlighting the specific needs of regions. (European Commission *ibid*). The Commission's draft Working Paper on ongoing evaluation suggests that in the new programming period the focus should shift further towards an ongoing evaluation process.
- 5.37 In Wales, the Mid Term Evaluations of the Programmes were used to adjust the Programmes and most of the recommendations were implemented. Where the recommendations were not implemented, there were generally good reasons for not doing so, or the recommendations had been superseded by events (Wales Objective 1,2/T,3, INTERREG IIIA, URBAN and LEADER+ MTEUs). Similarly, good progress had been made across England on implementing recommendations made in the MTE. Where recommendations

have not been implemented this was generally due to a conscious decision not to do so, for example to take into account changes in circumstances rather than reluctance to implement the recommendations made (Updated Mid Term Evaluation of England Objective 1 and 2 Programmes - Collation of Regional Analysis).

- 5.38 Evaluation requirements should be tightened for all projects. External evaluation should be made mandatory for larger projects (Objective 1 MTEU, Objective 3 MTEU and INTERREG IIIA MTEU). The results of evaluations need to be fed back to WEFO and other interested parties (Objective 1 MTEU).
- 5.39 If more emphasis is being put on individual projects to evaluate themselves (this change in emphasis in part enabled by a smaller number of larger projects) or if project self-evaluation becomes a condition of funding, it will be important to build capacity to carry this out in terms of resources set aside for evaluation and in enhancing the interaction with the evaluation community.
- 5.40 Establishing an overarching Monitoring and Evaluation Strategy (Article 46 refers to an 'Evaluation Plan') at the outset of the programme is a useful way to ensure consistency and coherence. Such a strategy should remain flexible throughout the programming period but would be a useful framework.

*Conclusions and lessons learned: implementation*

- 5.41 This chapter has focused primarily on implementation systems and although considerable improvements have been made across the EU, there nevertheless remains some important lessons to be learned for further improvement.

- 5.42 The idea of partnership in delivery is a core principle of Structural Funds, and it was found that stronger partnership in earlier design and implementation stages has led to better targeted and more innovative projects. At the appraisal stage, there is considerable scope to improve processes across most regions of the UK, moving away from the mechanistic scoring system to an appraisal process aimed at selecting projects that will provide the most added value to the programmes.
- 5.43 Administrative burdens are an issue but, although this burden can be reduced to an extent, this is likely to remain an issue, particularly for smaller partners and projects.
- 5.44 Monitoring and evaluation is crucial not only to current plans, but to design of future programmes. However, there are difficulties in collecting the necessary information required for monitoring, and excessive monitoring in itself can become an administrative burden. Project-level data was found to be deficient in many of the evaluations reviewed, with many projects not collecting the required evidence. More guidance and support is needed and in some cases it might be necessary to consider alternative approaches to measure the impact of the programmes.
- 5.45 Evaluation in the new programming period will be a much more dynamic process, focused on the needs of the managing authorities. More emphasis on project-level monitoring and on building evaluation capacity will enhance evaluation practice.

5.46 In this chapter, we have identified several elements of the implementation process where lessons can be learned:

*Partnerships and Private Sector Involvement*

- In Wales, the Partnerships worked well and have built up expertise and capacity, providing a good foundation for the next programming period.
- To enable Partnerships to work efficiently, there needs to be a clear understanding on all sides of the roles and responsibilities. Ongoing training would help to support the partnership process.
- Structures should be put in place to encourage sharing of good practice, joint working and networking between Partnerships.
- Continuing effort is required to involve the private sector in the Partnerships and in sponsoring projects.
- Administration, Process and Financial Management Issues
- While there is a clear requirement by the Commission to track what happens to the Structural Funds, wherever possible administration should be minimised and processes dovetailed with existing mechanisms already used by project sponsor organisations.
- Data on the cost of implementing the projects needs to be collected systematically. This data needs to be fine grained enough to enable assessments of cost efficiency and effectiveness.
- Application forms for funding need to be as simple as possible and the application process needs to be accompanied by further guidance and support, including the application process and feedback on the application.
- A common template which records information on each project consistently at the outset would assist in monitoring and evaluation throughout the Programme period.

- Simplification of the financial requirements would ease the burden on projects and could improve compliance with audit requirements. Using key funds or global grants (where the award of funding is made to a framework rather than individual projects) can help this simplification.
- Simplification of the claims forms is likely to improve return rates and compliance with monitoring requirements.
- There should be clear and consistent guidance on how projects should publicise the funding received, including how information is relayed to final beneficiaries.

#### Ongoing Project-Level Implementation

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

#### Monitoring and Evaluation

- Systems need to be put into place to enable projects to measure qualitative outcomes more consistently.
- Easy-to-use monitoring guidance for projects and project sponsors, summarising the requirements and setting out why and what is monitored, and what projects and project sponsors are expected to contribute to ongoing monitoring would enhance monitoring.

- Providing online systems and database templates for the submission of monitoring data would encourage timely, consistent and comprehensive submission of data by the projects, including data on beneficiaries (firms or individuals).
- A higher degree of project evaluation will require building evaluation capacity.
- Projects above a certain size should be required to carry out evaluations. Guidance should be provided to all projects to ensure consistency.
- An Evaluation Plan (or Monitoring and Evaluation Framework) should be set out at the outset of the Programmes.

## 6 CONTRIBUTION TO LISBON AND CROSS CUTTING THEMES

- 6.1 This chapter investigates how previous programmes have contributed to achieving the Lisbon objectives. Although the Lisbon objectives were formalised after the current Structural Fund Programmes had been developed, a number of the Priorities and Measures in those previous programmes can be linked to the Lisbon objectives, such as development of the knowledge-based economy and encouraging innovation and entrepreneurship.
- 6.2 This chapter also investigates what can be learned from the last round of European Structural Funds in terms of integrating the CCTs, namely Equal Opportunities and Sustainable Development (with a particular focus on environmental sustainability).

### *Contribution to Lisbon*

- 6.3 One area that has been supported in previous programmes is the development of the knowledge economy and support for R&D and innovation. For example, under Objective 1 across the EU support has been given to R&D and innovation to:
- construct new research capacity;
  - help formulate regional strategies for directing R&D towards meeting local opportunities for development; and
  - further the spread of ICT and the skills required to use the new technologies.
- 6.4 The Commission carried out a "Thematic Evaluation of the Structural Funds' Contributions to the Lisbon Strategy" to better understand the contribution of the current generation of Structural Funds to the Lisbon Agenda; to analyse the policy framework at national and regional level for such a contribution; and to explore potentials and limits for the future. The study found that the Lisbon Agenda has had a substantial effect as regards resources allocated to R&D,

IT infrastructure investment, and activities for improving Information Society skills.

- 6.5 In addition, it needs to be recognised that many of the ESF interventions are also contributing to the Lisbon objective of jobs and growth by increasing employment and providing the skills required for economic growth. These have been discussed earlier in this paper with specific reference to the last round of Programmes in Wales.
- 6.6 In the Wales Objective 1 Programme, Priority 2 relates directly to Developing Innovation and the Knowledge-Based Economy. The MTEU found strong performance of outputs such as new jobs created and even stronger performance in terms of jobs safeguarded. There was also particularly strong progress in terms of number of companies receiving financial support for R&D/innovation projects and number of companies given advice/information on R&D/innovation projects. There are also good results for number of firms benefiting from e-commerce and ICT support (in line with targets). However, the MTEU found that there is a specific problem with the number of gross new high technology companies which was seen by the evaluators as a disappointing result given the nature of the Measure (Objective 1 MTEU p. 51)
- 6.7 The MTEU for Objective 2/T notes that actual achievement against Information Society indicators is low in Priority 1 and very low in Priority 2. The evaluators recommended that the problems with implementing Information Society aspects should be investigated with relevant projects and that project sponsors should be encouraged to report comprehensively on outputs and results achieved.
- 6.8 Varied performance was also identified across UK regions. For example good progress was noted in the Highlands and Islands. However, in a number of areas, for example South Yorkshire, lower expenditure than expected was noted due to lower than expected uptake from SMEs. Generally, in the UK Objective 2 regions, slow take-up of Measures was evident. In Merseyside, evaluators recommended increased effort towards innovation and technology transfer and in Western Scotland evaluators recommended that the

Programme should retain the long-term goal of developing knowledge-based companies.

- 6.9 In terms of entrepreneurship, support for business start-ups is a common feature across many Structural Fund programmes. In Wales, under Objective 1, the majority of beneficiaries of Structural Fund projects who had been considering starting a business when they were assisted did not eventually do so and those that did generally thought they would have started up a business even without the support. This suggests a relatively low impact in terms of new business creation.
- 6.10 In contrast, it was felt by a large majority of those businesses that had created jobs as a result of assistance provided by Objective 1 that the jobs would not have been created in the absence of assistance. Businesses supported by projects were generally micro-enterprises (Objective 1 MTEU). Receipt of assistance from multiple SF projects by SMEs or individuals was seen as sometimes being a positive feature of assistance even if it leads to double counting, as the different interventions might meet different needs of the recipient (Objective 1 and 3 MTEU) and together create the conditions for employment growth.
- 6.11 One of the key areas which has been targeted by SF programmes has been the availability of risk finance for SMEs. However, a DG REGIO (2003) report (*Thematic Evaluation of the Structural Funds' Contribution to the Lisbon Strategy*) suggested that there might be saturation of the market for venture capital funds in the UK, and that close monitoring is essential to ensure that there is a real need for the interventions. This issue was also raised in North East England ('Objective 2 Mid Term Evaluation' EKOS Consulting 2003), where the financial allocation under the relevant Priority was high, but take-up low. The most appropriate potential project sponsors had already applied for funds from the Programme, and it was unclear how there could be a marked step-up in activity. The focus on businesses less than three years old was problematic for the capital Measure: for developing and marketing premises, this would imply only start-up facilities, which would mean that demand for

capital support would be restricted. Greater effect would be achieved by a more systematic approach to the promotion of enterprise and clearer support packages less dependent on individual projects.

Comment: In areas such as business support through the provision of risk finance, a clear, ongoing market failure needs to be established before intervention is considered.

6.12 As for the use of Information and Communication Technologies in Objective 3 ESF-supported projects, in general there was good alignment between Objective 3 ESF priorities and wider UK Government and regional policies. Promoting wider access to ICT and helping a wide range of individuals improve their ICT-related skills has become a common aim of interventions. However, rigorous links to local labour market needs are often not made explicit and there is a need to ensure that the skills provided fit with the requirements of local employers. Project promoters rely on widely-held perceptions that ICT skills have become a key tool in helping individuals gain work, retain work, and develop their careers. Many of the projects address ICT issues only indirectly (in effect, as ‘embedded’ learning or as part of more extensive SME support) – but again this can lead to effective contributions towards Information Society goals.

6.13 The processes through which Objective 3 ESF projects are developed and receive approval do not necessarily promote Information Society concepts actively: there is evidence of a certain amount of ‘box ticking’ at application and approval stages under the old system of bidding to Government Offices – but nevertheless, good performance is often achieved (CRG (2003) ‘The Use of ICT in Objective 3 ESF-Supported Projects’. Report to DWP, 2003).

*Cross Cutting Themes*

- 6.14 Several evaluations across the UK, including for example the UK Objective 2 evaluations, suggested that more resources could be targeted on integrating the CCTs into the Programmes. One suggested way of doing this is through the development of working groups and the incorporation of CCTs into project selection criteria. In Wales, within the Objective 1 Programme MTE, integration of the CCTs with relevant strategies was noted as being exemplary. Other evaluations have also praised the implementation of CCTs within Programmes in Wales (Objective 2/T and URBAN II MTEs). For Wales the 'Cross Cutting Themes Research Project' (ECOTEC 2006) found that even where projects did not have specific CCT output targets, they all nevertheless commit to implementing the Themes within the operation of their project.
- 6.15 The Research Project also found that the projects sampled all considered that they were implementing the Themes as intended in the approved application. However, the report found that in many instances these intentions are not very specific and it would be difficult to prove or disprove whether this is the case. A need was thus identified to provide more detailed guidance, particularly to assist sponsors who are willing to implement the Themes but lack the knowledge to do so.
- 6.16 Also identified by the report was the fact that many projects adopted a 'bolt on' approach to including CCTs in their project, rather than fully integrating the issues – again attributed to a lack of knowledge of how to achieve integration. In addition to lack of knowledge however, several other barriers to integrating the CCTs were identified, including: difficulties in achieving match funding where integrating CCTs added to costs; difficulties with additional processes such as planning permission which added to the length of implementation of projects; and pressures of meeting other targets such as n+2 targets.

- 6.17 To mainstream the CCTs more effectively, programme evaluations often suggested that these should be considered at all stages of projects. For example, in the Scotland Objective 3 Programme ('Mid Term Evaluation Final Report' Hall Aitken 2003) it was suggested that the CCTs should be tackled by making them a compliance issue. This would require projects having to address CCTs satisfactorily before being approved rather than CCTs just being one factor which is scored as part of the selection process. This should be accompanied by a reduction in the level of monitoring data to be supplied on CCTs as well as practical and more manageable levels of guidance on the integration of CCTs.
- 6.18 In the South-West England (Objective 1 Programme), the specific dedicated officers in post to support the CCTs were well regarded by stakeholders and projects who were keen that the posts be kept in place after the Objective 1 programming period. Through evaluations carried out by the authors (ECOTEC Research and Consulting Ltd) that included data analysis, stakeholder interviews, projects visits and Theme and community workshops it was found that they brought many benefits. These included: high levels of knowledge; easy access to advice and guidance; provision of practical and realistic suggestions; visibility of the Themes to those previously not engaged in these specific agendas; and increased quality of Theme-based activity (which was embedded as opposed to being an add-on). These advisors acted as catalysts for networking and idea sharing and there was a desire to maintain these posts after the Objective 1 Programme.
- 6.19 In the Highlands and Islands, there was strong encouragement by the Programme management to integrate the CCTs, with important case-study projects showing how the CCTs can be more widely embedded ('Mid Term Evaluation of the Highlands and Islands Special Transition Programme' Fraser Associates 2003). The evaluators thought that a sharper focus on substantive action that justifies the effort in managing and monitoring would be useful (p 41). The MTE concluded that a more proactive approach was needed to integrate sustainable development into projects and as such the input of a thematic specialist was also recommended when assessing relevant sections of applications, and to provide advice to projects.

### Equal Opportunities

- 6.20 ESF projects in Wales have been successful in targeting certain key groups, including women, people at both ends of the age spectrum, people experiencing long-term unemployment or inactivity and people without qualifications. The Programmes (Objective 1 and 3) were disproportionately successful in helping the most disadvantaged to find work (Leavers Survey, Wales, 2002). Work outcomes for women were as predicted in the Equality Mainstreaming Plan, with a high proportion entering part-time work.
- 6.21 However, work outcomes for minority ethnic groups and disabled people were poorer than predicted, and suggest more support is needed to maximise their entry to the labour market (Evaluation of equality mainstreaming in ESF Objective 3). In England, Projects that had provided or funded care support for beneficiaries with dependants were not used as extensively as expected at the outset. Most projects offered some support to disabled beneficiaries, including almost 50% who offered some form of specialist support. However, a third of projects had no provision for under-represented groups and overall the forecast level of provision for disabled people was not reached. Projects providing a wage subsidy were not used frequently for all groups especially women and disabled people and it was concluded that levels of childcare, support for disabled people and wage subsidies would all need to increase in the second half of the Programme. (Evaluation of equality mainstreaming in ESF Objective 3 ECOTEC Research and Consultancy Ltd 2004).
- 6.22 To assist those at some distance from the labour market, the 'pathways' approach of the Merseyside Objective 1 Programme ('Mid Term Evaluation', Regeneris Consulting 2003) was noted as a good example of the type of intervention which evaluators found to work well. The Highlands and Islands Programme also demonstrated clear success in supporting job entry for disadvantaged beneficiaries ('Mid Term Evaluation of Special Transition Programme' Fraser Associates Management and Economics Consultants in association with European Policies Research Centre and The Rural Development Company (2003).

### Environment and sustainable development

- 6.23 During the 2000-2006 programming period, progress in integrating environmental sustainability into the Structural Funds Programmes was made across the UK, especially where dedicated officers or thematic groups were in place. For example in the West Midlands the 'West Midlands Environment and Structural Funds Group' was assessed by the MTEU as having played a particularly prominent role (more so than other thematic groups). The MTEU recommended reviewing whether there should be higher grant rates for projects deemed to implement best practice responses to the CCTs to encourage best practice. In Yorkshire and Humber, the MTE recommended provision of more advice and guidance, customised to different type of projects, in areas such as sustainable construction and dissemination of best practice. Setting up of an Environmental Advisory Group was seen as possible to help guide efforts and help develop links between Objective 2 and other resources in the region.
- 6.24 In North East England, there was strong emphasis on the environmental CCT, with a range of indicators to capture contributions to environmental sustainability. Guidance and support provided were to a very high standard. One specific need identified was to increase education and awareness raising, including guidance, face-to-face help, training programmes, dissemination of best practice (for example through websites) and an applicant buddy system.
- 6.25 However, in other areas, progress on environmental sustainability was patchier. In the East of Scotland, at the MTE stage, it was found that there was considerable under-reporting of indicators relating to the CCTs. In Merseyside, the environment CCT (as well as the two other CCTs) was not integrated at Priority or Measure level or built into commitments required of projects. In London Objective 1, there was limited evidence of action to drive forward this activity. Proposals for a Sustainability Officer post were delayed and there was no monitoring of progress against environmental indicators.
- 6.26 There were also difficulties in engaging partners with the sustainability agenda. For example, in South Yorkshire, environmental sustainability was embedded well into

all priorities but research found a conflict between views of project managers and stakeholders on how relevant this CCT is in the day-to-day implementation of projects. Two explanations were suggested: that there was a difference between strategic intent and delivery; and that there was difficulty in translating environmental sustainability into projects. In Western Scotland, it was felt that the mainstreaming process was more likely to lead to changes in how partners describe projects rather than in design or implementation.

Comment: Buy-in across partners is essential to integrate the Cross Cutting Themes meaningfully across programmes. This appears to be especially important to support the integration of the environmental sustainability Theme.

6.27 The European Commission recommended that better information systems should be established which allow identification of all fund payments according to their environmentally positive, neutral or negative nature (*Analysis of the impact of Community Policies on Regional Cohesion*). However, the requirement for carrying out Strategic Environmental Assessments on each of the Structural Funds programmes<sup>14</sup> (including environmental monitoring requirements) and more general requirements for environmental monitoring in the legislation can provide an overview of how environmental issues are taken into account in the next round of programmes. In addition, for individual projects with a significant environmental impact an Environmental Impact Assessment will have to be carried out.

Comment: More detailed requirements to account for environmental impacts appear unnecessary, given the ongoing environmental monitoring and assessment already built into the Programmes.

#### *Conclusions and lessons learned: Lisbon and CCTs*

6.28 This chapter examined the extent to which the 2000-06 round of Structural Funds could be said to have integrated the CCTs and contributed towards the Lisbon

<sup>14</sup> An SEA is required if the programmes are likely to have a significant impact on the environment.

Objectives. In Wales, as regards the Lisbon Objectives it was concluded that interventions aimed at supporting companies in developing innovation and investing in R&D have tended to be more effective in safeguarding existing jobs rather than creating new jobs. New company creation in the high technology sector has been disappointing. Performance across the UK was found to be varied and it was found for those areas where performance was lacking that a more systematic approach to the promotion of enterprise was recommended.

6.29 The key lessons learned are presented below:

- As regards progress towards Lisbon Objectives, measuring the outputs, results and impact associated with Information Society projects requires further guidance for projects.
- Interventions aimed at supporting companies in developing innovation and investing in R&D have tended to be more effective in safeguarding existing jobs rather than creating new jobs. New company creation in the high technology sector has been disappointing.
- Interventions aimed at improving ICT skills of individuals should show sound evidence of local labour market needs for these skills.
- As regards the CCTs, building on good practice in Wales, the CCTs need to be integrated into programme design to ensure that they are considered within projects from the outset rather than as an add-on.
- Having Thematic Advisory Groups and dedicated officers helps in the implementation of the CCTs.
- Providing case studies and guidance helps to embed the CCTs across the programmes.

## **7 SUMMARY OF KEY CONCLUSIONS AND RECOMMENDATIONS FOR STRUCTURAL FUNDS IN WALES 2007 – 2013**

7.1 Below we have summarised the key conclusions and recommendations arising from the material we have reviewed. These recommendations should be considered carefully in the development of the new Programmes in Wales.

### Appropriateness of Programme Strategies

- To be most effective, programmes need to be closely aligned to national and regional economic development strategies and to the key aims of organisations delivering these strategies.
- There needs to be sufficient flexibility in the programmes to adapt to changed national and regional contexts and socio-economic conditions as well as taking into account any overlaps and duplications with other funding programmes which emerge in the course of the programming period. There should be a pro-active approach to reviewing of the programmes to ensure that required changes are anticipated.
- For the 2007 – 2013 programming period, the Commission has decided that the designation of Measures is no longer required. The use of Themes in the programmes is conducive to helping define the kind of projects which will be supported under each Priority but care needs to be taken that Themes will not limit the flexibility of the programmes.
- Having a wide range of policy goals and objectives can make it difficult to link specific Priorities and Themes to the attainment of headline objectives. This makes it important to focus the Structural Funds in a limited number of policy areas. While this applies to the new Convergence Programme, it is even more important for the smaller Competitiveness and European Social Fund Programmes.

### Programme performance

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

start-ups needs to be considered carefully to determine how Structural Funds can effectively contribute in this area.

- When setting targets associated to the development of new business premises, the long time span in terms of realised impact should be taken into account. Benchmarks could be derived from the experience in the last round of programming.

#### Indicators and targets

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

## Implementation systems

### Partnerships and Private Sector Involvement

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

### Administration, Process and Financial Management Issues

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

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

#### Ongoing Project-Level Implementation

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

#### Monitoring and Evaluation

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

- An Evaluation Plan (or Monitoring and Evaluation Framework) should be set out at the outset of the Programmes.

#### Contribution to Lisbon and Cross Cutting Themes

- As regards progress towards Lisbon Objectives, measuring the outputs, results and impact associated with Information Society projects requires further guidance.
- Interventions aimed at supporting companies in developing innovation and investing in R&D have tended to be more effective in safeguarding existing jobs rather than creating new jobs. New company creation in the high technology sector has been disappointing.
- Interventions aimed at improving ICT skills of individuals should make the links between these skills and the local labour market needs explicit.
- As regards the CCTs, building on good practice in Wales, the CCTs need to be integrated into programme design to ensure that they are considered within projects from the outset rather than as an add-on.
- Having Thematic Advisory Groups and dedicated officers helps in the implementation of the CCTs.
- Providing case studies and guidance helps to embed the CCTs across the programmes.

**Annex A: Bibliography***Mid Term Evaluations and Updates (Wales) – Reference Table*

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ANNEX B – LESSONS LEARNED

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<sup>21</sup> Aim of the study: surveys the attitudes of European Structural Funds applicants from 2000 to 2004. It includes views on: the development of an application for Structural Fund support; the appraisal of applications following submission, but prior to approval; the service provided by WEFO to projects after approval; and the overall quality of service received from WEFO.

**Annex B: Objective 1, 2/T and 3 Programmes' Priorities and Measures (2000-2006)**

Objective 1 Programme - West Wales and the Valley

*Priority 1: Expanding and Developing the SME base*

- 1.1 Financial support for SMEs (ERDF)
- 1.2 Promoting Entrepreneurship and Increasing the birth rate of SMEs (ERDF)
- 1.3 Developing competitive SMEs (ERDF)
- 1.4 Promoting adaptability and entrepreneurship (ESF)
- 1.5 Providing sites and premises for SMEs (ERDF)

*Priority 2: Developing Innovation and the Knowledge Based Economy*

- 2.1 ICT infrastructure (ERDF)
- 2.2 To stimulate and support demand for ICT (ERDF)
- 2.3 Support for the development of innovation and research and development (ERDF)
- 2.4 Skills for innovation and technology (ESF)
- 2.5 Clean energy sector developments (ERDF)

*Priority 3: Community Economic Regeneration*

- 3.1 Community action for social inclusion (ESF)
- 3.2 Partnership and community capacity building (ERDF)
- 3.3 Regeneration of deprived areas through community-led action (ERDF)
- 3.4 Supporting the creation and development of businesses in the social economy (ERDF)

*Priority 4: Developing People*

- 4.1 Preventative and active labour market measures (ESF)
- 4.2 Social inclusion (ESF)
- 4.3 Lifetime learning for all (ESF)
- 4.4 Improving the learning system (ERDF)
- 4.5 Improving the participation of women in the labour market (ESF)
- 4.6 Anticipation and analysis of skills needs (ESF)

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

- 5.1 Processing and marketing of agricultural products (EAGGF)
- 5.2 Training services to help farming adapt and diversify (EAGGF)
- 5.3 Forestry (EAGGF)
- 5.4 Promoting the adaptation and development of rural areas (EAGGF)
- 5.5 Investment in agricultural holdings (EAGGF)
- 5.6 Promoting local economic development (ERDF)
- 5.7 A sustainable countryside – enhancement and protection of the natural environment and countryside management (EAGGF)
- 5.8 Support for recreational opportunities and management of the natural environment (ERDF)
- 5.9 Support for fisheries and aquaculture (FIFG)

*Priority 6: Strategic Infrastructure Development*

- 6.1 Accessibility and transport (ERDF)
- 6.2 Energy Infrastructure (ERDF)
- 6.3 Strategic employment sites (ERDF)
- 6.4 Environmental infrastructure (ERDF)

*Priority 7: Technical Assistance*

- 7.1 Promoting effective programme management (ERDF)
- 7.2 Promoting effective programme management (ESF)
- 7.3 Publicity and Research (ERDF)
- 7.4 Publicity and Research (ESF)

**Objective 2/T Programme – East Wales**

*Priority 1: Sustainable and Competitive SMEs*

- 1.1 Support for Enterprise
- 1.2 Innovation and SME Development
- 1.3 Development of Premises for SMEs

*Priority 2: Sustainable Rural Development*

- 2.1 Rural Economic Development
- 2.2 Building Rural Networks

*Priority 3: Urban Community Regeneration*

- 3.1 Capacity Building & Community Initiatives
- 3.2 Developing the Social Economy

*Priority 4: Technical Assistance*

- 4.1 Effective Programme Management
- 4.2 Raising Awareness of the Programme

**Objective 3 Programme – East Wales**

*Priority 1: Developing Active Labour Market Policies to Prevent and Combat Unemployment*

- 1.1 Preventing Long-Term Unemployment
- 1.2 Re-integration of the Long-Term Unemployed
- 1.3 Supporting the Transition From Education to the Labour Market

*Priority 2: Equal Opportunities for All and Promoting Social Inclusion*

- 2.1 Pathways to Employment
- 2.2 Capacity Building for Community Based Groups
- 2.3 The Development of Business Opportunities in the Social Economy
- 2.4 Local Development to Promote Social Inclusion

*Priority 3: Lifelong Learning*

- 3.1 Developing New or Improved Guidance and Learning Systems
- 3.2 Increasing Participation and Attainment in Lifelong Learning

*Priority 4: Promoting Business Competitiveness*

- 4.1 Supporting Management Development
- 4.2 Skills and Knowledge Development for the Workforce in SMEs
- 4.3 Encouraging Innovation, R&D and the Information Society for Growth
- 4.4 Support to Encourage and Develop Entrepreneurship
- 4.5 Anticipation and Analysis of Skills Needs

*Priority 5: Promoting Gender Equality within the Labour Market*

- 5.1 Pathways to Participation
- 5.2 Promoting Attitudinal Change

## ANNEX C – EX-ANTE EVALUATION

# Ex Ante Evaluation of the 2007 – 2013 ESF Convergence Programme

Final Report  
March 2007

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Private and Confidential



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## EXECUTIVE SUMMARY

This document contains the ex ante appraisal of the 2007 - 2013 ESF Convergence Programme for West Wales and the Valleys (WWV), carried out by DTZ on behalf of WEFO. This Summary provides an overview of each of the Chapter contents, including the main conclusions and recommendations.

It is important to highlight that this document provides an overview of the process of preparing the Operational Programme (OP), and that rather than just appraising the final OP document, it reflects an iterative appraisal process that took place over a number of months. At each stage of the process, DTZ provided WEFO with a number of comments and recommendations relating to each element of the eventual OP. WEFO implemented the vast majority of these recommendations. In the minority of cases where WEFO declined to implement recommendations, WEFO generally provided reasoned arguments as to why it was not deemed appropriate to accept and implement the comment.

Therefore, most recommendations relate to earlier stages of the Consultation Document. However, as far as possible we have kept the content of the main body of the report relevant to the most recent version of documents provided by WEFO to DTZ and put much of the historical content into Annex D.

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

**Chapter 1** contains an overview of the study brief and the methodological approach taken by DTZ to address the different stages of the evaluation. Chapter 1 highlights the way in which the evaluation was an interactive and iterative process between DTZ and WEFO.

**Chapter 2** provides an appraisal of the analysis of the labour market conditions in Wales as undertaken by WAG's Economic Advice Division (EcAD). DTZ reviewed and commented upon a first draft of this document, and made a number of recommendations. The second draft of the Labour Market Analysis incorporated the vast majority of the comments and recommendations suggested by DTZ. Following the appraisal of the second draft, a number of additional comments were made in order to further improve the Labour Market Analysis. As with other recommendations made throughout the evaluation, the extent to which these recommendations were accepted and implemented is discussed in Chapter 6.

It was found that; the data sources were credible and representative; no evidence emerged that contradicted the evidence reported in the Analysis; and that sufficient sub-regional analysis was undertaken where appropriate.

However, several areas of concern emerged and hence recommendations were made, mainly relating to gaps in the analysis and a lack of appropriate comparators due to a lack of use of EU(25) data. Overall however, the second draft was found to be a very well written and constructed document, with discussions of data clear and well explained and relevant to the labour market conditions of the area assessed.

**Chapter 3** assesses the strategy and the aims and objectives of the Programme, focusing in particular on appraising the rationale of the Programme and its internal consistency.

DTZ has found that, in general, the rationale of the Programme is well developed and for the most part there is a strong link between the key challenges facing West Wales and the Valleys (WWV), the strategic vision, and the key elements of the Programme in terms of Priorities and Themes. A number of recommendations

were made in order to strengthen the link between the rationale and objectives of the Programme and the needs of the WWV area.

These recommendations related to; more clearly explaining the underlying need for intervention in some cases; investigating and discussing in more detail the underlying link between the causes and effects of various problems in the area (i.e. poverty, worklessness and social exclusion); a more explicit identification of how the Programme-funded interventions will contribute towards ‘solving’ the market failures identified in the area; highlighting more clearly how delivery through Structural Funds will add value; and greater clarity about the specific rationale for each Theme: for example whether a Theme is primarily aimed at addressing employability or improving skills. For the most part, the recommendations suggested by DTZ were taken on board by WEFO and subsequently implemented. Details can be found in Chapter 6.

Chapter 3 also looks at the internal consistency of the Programme – i.e. to what extent the Priorities and Themes are complementary and not in conflict with or overlapping each other. The appraisal of this issue concluded that the Programme Priorities have a high degree of internal consistency, with few conflicts between Priorities. The majority of interventions are found to be well established and tried and tested in previous programmes, which reduces policy risk. There may be scope to consider whether the mix of risk and impact is appropriate and whether there is scope to include more risky policies with higher levels of potential impact.

**Chapter 4** appraises the Programme in terms of its external consistency with other national, UK and EU strategies and policies. In this respect it is concluded that for the most part, the Programme is consistent with the policies and strategies at Welsh, UK and EU levels. However, at all levels recommendations were made in order to strengthen the cohesion between the Programme and the main overarching policy environments in which it operates.

In terms of strategic fit with key Welsh policies, the Programme was found to be largely consistent with their broad aims and policy direction. However, a number

of recommendations were made in order to strengthen the consistency further. These are discussed in Chapter 4 and detailed in Annex D.

As regards the consistency with UK strategy and policy the Programme was again found to be consistent, with only a few recommendations for improving consistency further:

- Consider whether promoting work/life balance and providing incentives to encourage participation should be considered in the strategy; and
- Consider whether affordable childcare should be explicitly referenced in Priority 2 Theme 2.

At the EU level it was suggested that in order for the Programme to be fully consistent with European strategies and policies several issues needed to be addressed including: detailing the rationale for excluding the Themes mentioned in the Structural Funds regulations; including more detail on how Equal Opportunities can be integrated in the day-to-day implementation of the Programme; and clarifying how the Programme will contribute to environmental sustainability objectives.

Finally, DTZ found a high degree of fit between the ERDF Convergence Programme and the ESF Convergence Programme.

**Chapter 5** gives an appraisal of Programme implementation, monitoring and evaluation arrangements. It assesses the robustness of the overall arrangements for implementation of the Programme. A number of recommendations are made in this chapter, at a high level and in terms of specific elements of the implementation arrangements such as partnership arrangements, the designation of authorities, and monitoring and evaluation.

As regards monitoring and evaluation, DTZ made a significant number of comments and recommendations relating to the arrangements detailed in earlier versions of the Programme. DTZ concluded that the documentation set out a very broad overview of what will be required in terms of monitoring and evaluation but that many elements were not explored in detail. The key recommendation made

by DTZ was therefore that the monitoring and evaluation provisions for the new programming period should be set out in greater detail. We suggested that a **monitoring and evaluation strategy (or evaluation plan)** would be an appropriate way of doing this.

As a result of the DTZ recommendation WEFO committed to drawing up a Monitoring and Evaluation Plan, the process of which will address the majority of the more specific recommendations relating to monitoring and evaluation. Since these recommendations have been in the most part taken on board by WEFO, the full range of detailed comments can be found in the relevant part of Annex D relating to Chapter 5.

The final section of Chapter 5 looks at the indicator framework for ESF and discusses the methodology and key results of the target setting exercise.

**Chapter 6** discusses the recommendations made by DTZ throughout the entire appraisal process and summarises the WEFO response in terms of agreement/disagreement, and any actions taken. In the main, the vast majority of recommendations and comments were accepted by WEFO and implemented. The final Operational Programme document is in itself an indication of the extent to which the recommendations were taken on board, and thus the discussion here is fairly high-level, with Chapter 6 providing a very brief overview of the broad areas in which recommendations were made rather than detailing every fine point that was discussed and agreed upon.

**Chapter 7** provides some overall conclusions and recommendations on the evaluation process and findings.

There are several Annexes at the end of the document:

**Annex A:** Bibliography

**Annex B:** Lessons Learned

**Annex C:** Environmental Report - An initial screening appraisal was carried out for both the ERDF and ESF Programmes. However, although it was concluded

that a full report was required for the ERDF Programme, it was discovered from the screening process that the ESF Programme did not require a full SEA. This Annex therefore provides a statement to this effect.

**Annex D:** Details of Recommendations – An overview of each of the recommendations that were made by DTZ throughout the appraisal of the Programme. How WEFO responded to these comments and recommendations is detailed in Chapter 6, with the conclusion that the vast majority were agreed with and implemented.

## 1. INTRODUCTION AND STUDY APPROACH

### *Chapter overview*

- 1.1. This chapter provides an overview of the Ex-Ante Evaluation of the West Wales and the Valleys ESF Convergence Programme for 2007-2013. Under European guidance (European Commission 2005 'The New Programming Period, 2007-2013: Methodological Working Papers, Draft Working Paper of Ex Ante Evaluation'<sup>1</sup>), the Programme is required to be evaluated in a way that is an iterative process in which each feedback and output from each stage feeds through into the next stage.

### *Evaluation requirements*

- 1.2. In carrying out the ex ante evaluation, there are several areas and issues that the evaluators must address. It is imperative that the evaluation assesses the rationale of the Programme and seeks to answer whether it adequately addresses the needs of the area. For the ESF Programme this involved DTZ appraising the Labour Market Analysis of the area to determine whether it used the appropriate data, drew valid conclusions from that data and thus correctly identified the key issues in the area.
- 1.3. The evaluation then must assess whether the Priorities and Themes of the Programme sufficiently reflect the key problems, and whether they are the correct interventions to address the identified market failures. This process was carried out by DTZ through an in-depth assessment of each of the Priorities and Themes of the Programme. Recommendations were made regarding the content and approach of the Priorities, with an additional Priority subsequently included by WEFO in the Operational Programme (OP).
- 1.4. Subsequently, the evaluation assessed the internal and external consistency of the Programme to ensure that within the Priorities and Themes there was complementarity, and as far as possible, an absence of gaps or duplications. Externally, the cohesion of the Programme was assessed

against other Welsh policies and strategies, and the relevant UK and EU strategies, including the Lisbon Agenda.

- 1.5. As well as assessing the content, strategy and direction of the Programme, the evaluation appraised the various elements relating to the practical processes in place for implementing the Programme, carrying out ongoing monitoring and evaluation, and the levels of targets to be worked towards. As with each stage this involved working closely with WEFO and providing recommendations at each draft of the Consultation through the preparation of the OP.

#### *Approach and methodology*

- 1.6. In carrying out this evaluation, DTZ's approach has been to work closely with WEFO and the wider stakeholders to ensure that the recommendations of the evaluation are incorporated in the development of the OP. This approach has enabled us to provide an ex ante evaluation which goes beyond what is contained in this document. Rather, it is the changes to the OP resulting from our work which demonstrate our ongoing involvement with WEFO and these are the real output of the evaluation.
- 1.7. Consequently, this report does not focus on the exhaustive list of recommendations and how these have been implemented by WEFO. While this detail is contained in Annex D, the main part of the evaluation is the focus on the high level Themes emerging from the ex ante evaluation and areas where recommendations have not been implemented in full, to explore why in those limited areas there is a difference in approach by WEFO.
- 1.8. In the main, from the standpoint of the evaluators, the ex ante evaluation process has been very productive, with most suggestions and recommendations being implemented by WEFO. For each area of the OP, from the Labour Market Analysis through to the plans for implementation, WEFO provided DTZ with an initial draft that was then commented upon with

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<sup>1</sup> Available from [http://ec.europa.eu/regional\\_policy/sources/docoffic/working/doc/exante\\_sf2007-2013\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/exante_sf2007-2013_en.pdf)

recommendations made, and further drafts then submitted. The process of evaluation has thus followed closely the principle of the process being an ongoing dialogue.

- 1.9. Further, WEFO was able to draw not only from their experiences of the last round of programming, but also from the considerable preparation which has gone on in the run-up to the new Programmes, not least the partnership arrangements that have guided the development of the new Programmes.
- 1.10. We have been conscious of the principle of partnership that has underpinned the development of the OP. In light of the different viewpoint taken by an evaluator, our recommendations have not always corresponded to the views of stakeholders. In many of these cases, we have asked WEFO to strengthen the underpinning rationale for inclusion of particular elements rather than recommending removal of these elements. For the OP to truly reflect partnership principles and local priorities, we believe that it is critical that the ex ante evaluators do not completely 'dictate' what should be included in the OP but that they can accept the policy direction from local, regional and national partnerships as appropriate.
- 1.11. Similarly, it is important that an appropriate balance is found between the amount of detail required in the OP and the ability of the partnerships to react to changing circumstances and to flexibly implement the Programme as it develops over time. While in some areas more detail was requested by the evaluators, we accept that there is a limit to how much detail is productively included in the OP.
- 1.12. Our approach has been to work with WEFO as much as possible, working as flexibly as possible to ensure that the requirements of the evaluation did not have a detrimental effect on the development of the OP itself by making additional demands on the time of those drafting the Programmes. During the evaluation, we met with all the key staff at different stages and we reviewed the chapters of the OP as they were drafted, often

providing early thoughts and suggestions before doing the ex ante appraisal itself. At the same time we carried out the screening report to identify whether a full Strategic Environmental Analysis (SEA) was required (which was carried out by Royal Haskoning as a sub-consultant to DTZ with the conclusion that this was not the case for the ESF Programme) and we also further developed the lessons learned paper provided by WEFO. Both of these documents are annexed to this report.

- 1.13. We also worked with WEFO to develop indicators and targets for the Programme, engaging in an ongoing process of reviewing the methodology and working to agree on the best way to use the data available from the previous round of programming as well as other data sources.

*Community added value*

- 1.14. As highlighted in the Commission's Draft Working Paper on Ex Ante Evaluation (2005), the ex ante evaluation needs to assess the degree to which Community added value is maximised throughout the Programme. The concept of community added value is defined on the basis of a range of criteria:

- Economic and social cohesion;
- Policy added value in relation to Community priorities;
- Financial added value, in terms of additionality and leverage effect;
- The added value of the Structural Funds method, including partnership, multi-annual planning, monitoring, evaluation and sound financial management; and
- Added value which stems from the exchange of experience and networking at a transnational, national or regional level.

- 1.15. Throughout the process, the ex ante evaluators have assessed the extent to which the Programme maximises Community added value, drawing on the Lessons Learned paper, and have made recommendations guided by

the concern to maximise Community added value. In line with the overall approach to this evaluation, this has been a dynamic process which has led to the vast majority of recommendations being implemented by WEFO before finalising the Programme. The consideration of Community added value has taken place throughout and is thus integrated into the assessment of the Programme within the chapters commenting on each of the component parts of the OP.

### *Conclusions*

- 1.16. Following this process of dialogue and iteration, and the extent to which WEFO considered and implemented the vast majority of recommendations made, has ensured that the final OP is a sound and robust document that can serve as a basis for addressing the main labour market failures in West Wales and the Valleys.

## 2. APPRAISAL OF ANALYSIS

### *Chapter overview*

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

*Appraisal of the Analysis*

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

2.6. It is appropriately structured around the following headings:

- Population;
- Enhancing access to employment and inclusion in the labour market;
- Reinforcing social inclusion;
- Enhancing human capital;
- Deprivation; and
- SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis.

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

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

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

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

- **Are the sources of data used credible?**

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

- **Are the conclusions based on sufficient evidence?**

The evidence as presented points to the conclusions that have been drawn. The link between the evidence and the conclusion is well explained. However, a weakness is that conclusions are based on comparisons within Wales or with the UK. More EU-level evidence would be useful.

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

There is a conclusion drawn that there is a strong correlation between economic inactivity and skills levels and that this is a big contributing factor to the numbers of people who are economically inactive. No absolute figures are given for the numbers of people with no qualifications. It could be a very small number of people who are becoming increasingly marginalised, rather than a large number of people as is the case with ill-health caused inactivity.

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

None that we have found.

- **Are the appropriate comparators used?**

Not enough comparison with EU(25) countries has taken place.

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

Yes. The differing needs of rural and urban East Wales and West Wales and the Valleys have been illustrated where necessary.

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

It is relevant, accurate and up-to-date. However, few conclusions have been drawn about East Wales, with much of the analysis concentrating on West Wales and the Valleys. This is unsurprising, given the worse labour market conditions in WWV.

- **Are there any gaps in the analysis?**

Yes. There is a need for further comparison with EU(25) data.

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

2.11. For the most part the SWOT analyses for both West Wales and the Valleys and East Wales are excellent and follow closely the Labour Market Analysis that precedes it. There are three areas common to both SWOT analyses that do not tie in with the Labour Market Analysis:

- An identified weakness in the SWOT analysis is that increased deprivation is seen in areas with higher numbers of Black and Minority Ethnic individuals, but this is not discussed in the Labour Market Analysis.
- The strength of the higher education (HE) sector in WWV is classed in the SWOT analysis as an opportunity and again this does not tie in with the Labour Market Analysis.
- There is a threat identified that falling demand for low-skilled workers is cited as 'the principal cause for increased economic inactivity in Wales'. The evidence as presented in the Labour Market Analysis suggests it is self-reported ill health that is the principal cause.

*Community added value*

- 2.12. Throughout the evaluation, the evaluators have considered to what extent the Programme provides Community added value. With respect to the analysis chapter, the key consideration has been whether the Analysis indicates that the Programme can add value to the Economic and Social Cohesion of the Convergence area, and in particular whether the Programme is designed to maximise regional economic and social convergence. The Lessons Learned paper has highlighted that it is important to base the Programmes on sound analysis, while at the same time making sure that the Programmes can be flexible enough to evolve throughout the programming period.
- 2.13. The Analysis Chapter identifies key areas of progress while at the same time highlighting that key challenges remain for the Convergence area. The analysis is sound and links strongly to the proposed interventions under the Programme. These challenges and associated interventions indicate clearly that the Programme can provide significant Community added value in relation to economic and social cohesion.

*Revisions to the Analysis prior to submission to Commission*

- 2.14. A number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission in mid-December 2006. The revisions as they affect our appraisal of the Labour Market Analysis are discussed below.
- 2.15. A section has been added on human capital, discussing skills as a major factor in the variance of productivity levels across GB. Given that one of the key strategic challenges outlined in the strategy is the lower value-added per worker in WWV which contributes towards GDP standing at 75% of EU25 average, it is a welcome addition that the Analysis explores further potential explanations for the lower value-added. The adverse skills profile is forwarded in the revised OP as explaining approximately 20% of Wales' lower productivity compared to the average for GB as a whole.

- 2.16. It was further noted by DTZ that not enough comparison with EU25 countries had taken place in the Analysis. In this regard, several elements of the Analysis have been strengthened in the revised OP by comparing the situation in Wales with countries across the European Union. The trend of falling employment among those with low skill levels in WWV is compared across the EU, as are statistics on the proportion of the population with pre-primary, primary and lower secondary qualifications.
- 2.17. With regards to the SWOT analysis several issues were raised by the evaluators which have since been addressed in the revised OP. It was previously noted by DTZ that an identified weakness in the SWOT analysis was that increased deprivation is seen in areas with higher numbers of Black and Minority Ethnic individuals, but this was not discussed in the Labour Market Analysis. It is noted that this point has been removed from the SWOT analysis in the revised OP.
- 2.18. It was previously identified by DTZ that the strength of the Higher Education (HE) sector in WWV is classed in the SWOT analysis as an opportunity, and it was noted by the evaluators that this does not tie in with the content of the Labour Market Analysis. It is now noted that this point has been removed from the SWOT analysis.
- 2.19. Several issues have been added to the SWOT analysis in the revised OP that did not appear in the original. These include the following:
- Adverse skills profile for individuals with a disability compared to those without;
  - Higher proportion of 19 – 21 year olds without any formal qualifications than compared to Welsh and UK averages;
  - Rise in the number of young people not in employment, education or training (NEET);
  - A higher proportion of females across West Wales and the Valleys do not have any formal qualifications than compared to males; and

- High proportion of females working in part-time employment.

2.20. These issues are evidenced and discussed in the Analysis, therefore it is appropriate that they appear in the SWOT analysis.

*Conclusions and recommendations*

2.21. The second draft of the analysis is a very well written and constructed document. It was discussed that the analysis is appropriately structured, with sections reflecting and mapping closely the structure recommended in Annex 2 of the Draft Working Paper on Ex Ante Evaluation

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

2.23. The second draft of the Labour Market Analysis has incorporated the vast majority of the comments and recommendations suggested by DTZ. Overall, the Analysis clearly fulfils the requirements of the OP.

### 3. RATIONALE OF THE STRATEGY AND ITS INTERNAL AND EXTERNAL CONSISTENCY

#### *Chapter overview*

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

- Appraisal of the rationale behind the Programme strategy; and
- Appraisal of the internal consistency of the Programme strategy.

#### *Rationale*

##### Introduction to rationale section

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

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

3.3. Item five on the list above is considered comprehensively in the SEA Screening Report and only an overview is presented in this section. The integration of the Cross Cutting Themes and the link to EU policies in these policy areas is discussed under ‘Consistency with EU Policies’.

##### Objectives and Priorities of the Programme

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

**Table 2.1: Summary of Priorities and Themes**

<b>Priority 1 Equipping young people with the skills needed for employment</b>
1 Tackling underachievement (Closing the gap)
2 Raising skills and aspirations (Raising the bar)
<b>Priority 2: Increasing employment and tackling economic inactivity</b>
1 Helping people into sustainable development
2 Helping people to remain in work
<b>Priority 3: Improving skill levels and improving the adaptability of the workforce</b>
1 Raising the skills base of the workforce and supporting progression in employment through basic, intermediate and higher level skills.
2 Improving systems for workforce development and addressing skills gaps and shortages and promoting the adaptability of enterprises and workers,
3 Promoting gender equality in employment.
<b>Priority 4: Making the Connections - Modernising and improving the quality of our public services</b>
1 Transforming public services through more effective collaborative working.
2 Building the capacity of public service sectors to deliver higher quality services.

- 3.5. Following the public Consultation Document, the Priorities and Themes of ESF were changed. The most substantive change was the introduction of a new Priority 1, aimed specifically at young people and employment.
- 3.6. This is a welcome addition to the Programme, following on from a DTZ recommendation to aim to tackle future unemployment/inactivity through intervention at an early age.
- 3.7. With the exception of the Theme Promote gender equality in employment which moved from the Priority Increasing Employment and Tackling Economic Activity to the Priority Improving skill levels there were no significant changes to the ESF Convergence Programme other than re-numbering. The discussion of Priorities and Themes that follow in this chapter are therefore still appropriate regarding the content of each.

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

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

- Demographic trends;
- Enhancing access to employment and inclusion in the labour market;
- Reinforcing social inclusion of people at a disadvantage;
- Enhancing human capital; and
- Deprivation.

3.10. The Analysis identifies that in Wales the number of young people not in employment, education or training (NEET) has risen to 13% from 11% in 2002-2003. The Analysis also acknowledges that for young adults, education, skills and their labour market experiences are crucial for their future life patterns. Therefore the evidence provided in the Analysis forms a basis for including this new Priority in the Programme.

3.11. The Analysis highlights that 25% of the overall gap in GVA per head in Wales compared to the UK average is explained by the lower employment to working age ratio. On this basis Priority 2, Increasing employment and tackling economic inactivity, is a valid Priority for the Programme. The evidence detailed in the Analysis supports this Priority in terms of demographic trends and inactivity.

3.12. Priority 3, Improving the skills level and the adaptability of the workforce, is aligned with the need recognised in the Analysis to enhance inclusion in the labour market. This Priority has the potential to improve economic activity rates in WWV and support increased productivity and earnings. The Analysis highlights the high concentration of deprivation in the South Wales Valleys,

and that this is driven by income and employment deprivation. However, in the strategy there is scope to explore the link between worklessness, social exclusion and deprivation. This would strengthen the rationale for intervention in terms of tackling poverty and enhancing equality.

3.13. The Analysis does not explicitly make reference to the quality of public services or the potential gains from increased collaboration in the public sector. More evidence of this would help underpin the validity of Priority 4.

*Priorities suggested by the Analysis*

3.14. Breaking the Analysis down into the constituent issues that are identified leads to the following suggested list of priorities:

- Attract in-migration of working age population;
- Enhance economic activity amongst working age population;
- Support activity that helps individuals overcome barriers to economic inactivity such as self reported work limiting health conditions, skills attainment and cultural factors;
- Decrease the proportion of young people (particularly male) classified as NEET (not in education, employment or training);
- Reduce the proportion of working age population without any qualifications;
- Decrease the proportion of working age populations without basic skills;
- Increase the qualifications of the workforce;
- Enhance the qualification attainment of pupils in full time education;
- Reduce income and employment deprivation;
- Support a socially inclusive labour market;
- Support those with specific barriers to economic activity; and

- Support activity that encourages people to want to work and raise their aspirations.

3.15. The Programme addresses the majority of these issues with the exception of the role for in-migration in WWV.

#### *Key strategic challenges*

3.16. The Programme details key strategic challenges for WWV. The headline economic position outlined is that WWV still lags behind the EU25 countries, with GDP standing at 75% of the EU25 average. This underperformance is partially explained by the lower value-added per worker and a lower employment rate. This ties in with the evidence presented in the Analysis.

3.17. Whilst the industrial mix of WWV is not favourable, there is nothing in the Analysis that supports the assertion that Welsh workers are more or less productive than their EU and UK counterparts. This implies that the key aim of the policy response should be to change the industrial mix of Wales. This can take the form of supporting the conditions for growth for more productive industries by for example providing the right skills training under Priority 2.

3.18. The next strategic challenge identified in the Programme strategy is the low employment rate in WWV compared to the UK and EU average. The majority of this difference, it is claimed, is due to the higher rate of economic inactivity in WWV rather than higher unemployment, and this assertion is supported by the Analysis. What is not mentioned here, however, is the contribution that factors such as ill health, caring responsibilities and disability makes to the high rates of economic inactivity. This is clearly evidenced in the Analysis and should be referenced in the section of the Programme strategy covering strategic challenges.

#### *Strategic vision*

3.19. The vision is to create a vibrant entrepreneurial region at the cutting edge of sustainable development with prosperous communities across Wales.

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

- 3.20. The Programme fits well with the two drivers, both in terms of increasing employment and in terms of assisting businesses to move up the value chain by providing the required skilled workforce. However, it is not clear how exactly the two key drivers will contribute to the vision and, consequently, how the Programme will contribute to the vision.
- 3.21. To make the link between the Programme and the Vision more explicit, it would be useful if the contribution of the Programme, especially in terms of skills development, to creating a more vibrant entrepreneurial region is brought out.
- 3.22. It would also be useful to set out in more detail how the Programme will contribute to the three elements of sustainable development (economic, social and environmental).
- 3.23. The aspiration of creating prosperous communities across Wales has a clear spatial element but the drivers do not address this explicitly (although it is explored in the context of the spatial strategy later on). Decreasing worklessness is likely to lead to more prosperous communities, given that worklessness is concentrated in currently less advantaged communities. However, while value-added per job might have an effect on average earnings, it is difficult to see how exactly this will have an effect on the least prosperous communities which have limited economic opportunities. As noted above, more detail is needed to make the link explicitly.
- 3.24. Overall, the two key drivers do not seem to correspond well to the vision and consequently the Programme does not correspond well. The link between the Priorities of the Programme with the vision needs to be made more explicit.

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

#### *Priorities and Themes*

3.26. This section examines the Themes contained in each of the Priorities of the ESF Convergence Programme in turn. The rationale for including each Theme is examined and recommendations are made where this can be strengthened.

3.27. The appraisal below was carried out before the new Priority 1 was introduced. As outlined above, the inclusion of the new Priority 1 is consistent with the evidence presented in the Analysis and is consistent with the overall rationale of the programme. Data in the Analysis highlights that the attainment of pupils in the final year of compulsory education in WWV is below the UK and Wales average, and that further progress is needed to raise educational attainment in WWV. The Analysis also identifies the relatively high proportion of children living in workless families and the increasing trend of young men not in employment, education or training (NEET). This Priority

highlights the need to target these at-risk groups to prevent future generations of inactivity and disengagement with the labour market.

*Priority 2: Increasing employment and tackling economic inactivity*

3.28. This Priority is focused on increasing employment and promoting social inclusion by developing coordinated action to overcome barriers and disincentives to work, and by reducing the risk of people moving from work into unemployment and long-term economic inactivity.

3.29. As detailed within the Analysis, relative lower employment rates, and higher rates of economic inactivity are key (interlinked) explanations for the relative poor performance of the WWV economy (as shown by relative GDP per head). Addressing these challenges is therefore a valid aim.

3.30. There are two Themes identified within this Priority, each of which will be discussed in turn.

Theme 1: Helping people into sustainable employment

3.31. Given the relatively high levels of inactivity highlighted in the Analysis, helping people into employment is a justifiable aim. The broadness of the Theme has the potential to address a range of issues faced by those currently not in employment, including the removal of barriers to employment and overcoming disincentives to work. The supporting text within this Theme identifies that a number of factors contribute to inactivity and highlights the need for a range of active labour market measures and other actions to overcome the barriers faced by a range of disadvantaged groups and those not in employment. This is supported by the Analysis.

3.32. However, the Analysis and Strategy do not distinguish between the different forms of unemployment (e.g. youth unemployment, long term unemployment, transitional unemployment) and if intervention is aimed at tackling this, it is important that these are identified in the Analysis and addressed in the strategy. Furthermore, the issues faced by those who are economically inactive are also different from those who are unemployed, given

their distance from the labour market, and this needs to be examined explicitly in the Analysis and Strategy.

Theme 2: Helping people to remain at work

- 3.33. In the interest of enhancing the economic prosperity of WWV, ensuring high participation in the labour market is important and supported by the Analysis. However, the Analysis does not focus on the type and duration of employment in WWV and it is therefore difficult to conclude that high drop-out rates are a specific problem in WWV. It is therefore advised that further research is undertaken to support this Theme, focusing on an analysis of whether drop-out rates are a specific problem in Wales.

*Priority 3: Raising skills level and improving the adaptability of the workforce*

- 3.34. The focus of this Priority is on modernising the Welsh economy through development of the skills and adaptability of enterprises and workers and entrants to the labour market. Increasing the skills levels is associated with increased rates of economic activity and improvements in productivity. Theme 1 is focused on improving the employability of individuals whereas Theme 2 is focused on increasing skills for the economy with Theme 3 addressing gender equality.

Theme 1: Raising the skills base of the workforce and supporting progression in employment

- 3.35. The Analysis identifies that the relative labour market position of low-skilled workers has worsened across the developed world. Where a high proportion of the workforce are relatively low-skilled, relative demand is lower and their labour market prospect are worse. WWV has a greater proportion of low-skilled workers than either the UK or the Welsh average. The distribution of low skills closely mirrors that of inactivity, suggesting there is a strong skills related cause of inactivity. In raising the economic prospects of WWV, raising the skills base of the workforce is a valid Theme within the ESF Programme

Theme 2: Improving systems of workforce development and addressing skills gaps and shortages, and promoting the adaptability of enterprise and workers.

- 3.36. The weak skills profile of the workforce in WWV is identified in the Analysis. WWV is under-represented by those with NVQ4+ and over-represented by those without qualifications. This skills profile suggests (but it is not explicitly detailed in the Analysis) that businesses wishing to develop into higher value-adding activities may be constrained by the availability of employees with appropriate skills. Enhancing workforce development would aid in improving the skills issue in WWV and enable economic development.
- 3.37. The Analysis shows that WWV has only a marginally lower proportion of the working age population participating in lifelong learning than Wales as a whole. However, the continued skills gap noted by employers in Wales would suggest that there is a need to improve the supply of skills development to better match the demand for skills in the economy. The main skills identified are generic soft skills such as problem solving, team working and communication. Promoting the adaptability of both enterprises and workers and improving the systems of workforce development would aim to address this.
- 3.38. There is no evidence in the Analysis of a skills shortage that would act to constrain specific sectors or businesses. This would need to be developed in order to strengthen this Theme.

Theme 3: Promoting gender equality in employment

- 3.39. Promoting gender equality forms an important element of promoting equal opportunities, which is a Cross Cutting Theme of the Programme. However, there is not a great deal of evidence in the Analysis pointing to gender inequality amongst those in employment in terms of pay profile, employment rates, or sectoral concentration.
- 3.40. It is unclear what this Theme is aimed at addressing. If the Theme is focused on increasing female participation in the labour market, then it is already covered in Theme 1 above and a further case would need to be made

to explain why this is different from 1. If the Theme is focused on helping women progress in the workplace and enter specific sectors within the labour market then this will need to be made more explicit.

*Priority 4: Making the Connections – Modernising and improving the quality of our public services*

3.41. The focus of this Priority is to ensure that the public services in WWV (and Wales) are more accessible, coherent, effective, efficient and more responsive to the needs of individuals, businesses and communities. This Priority will only absorb a small proportion of the funding available to WWV. The Themes under this Priority are discussed below.

Theme 1: Transforming service delivery through more collaborative working

3.42. The Analysis identifies the many interrelated issues that contribute to higher incidences of economic inactivity in WWV. Given the number of organisations and activities focused on addressing these issues (e.g. education providers, training providers, voluntary organisations, benefit agencies), there is a rationale for examining ways in which services are delivered.

Theme 2: Building capacity of public service sector to deliver higher quality services

3.43. In addressing the issues faced in WWV, there is a rationale for improving the capacity of the public sector to deliver higher quality services. The Analysis shows that whilst progress has been made in WWV in addressing many of the issues faced in the area, there remains a clear need for public sector intervention and it follows that improvements in the quality of public services would benefit WWV. However, whether this is a specific issue to be addressed by the Programme is unclear. Increasing public sector efficiency may be too general an issue to include in the Programme.

*Concentration of resources*

3.44. The Consultation Document sets out in a table the broad thinking on funding for each Priority in relation to current spending. The intention is to increase spending on Priority 2 ESF (now Priority 3: skills and adaptability) somewhat. Spending on Priority 1 ESF (now Priority 2: employment and tackling economic inactivity) will be reduced somewhat.

- 3.45. The wording in the table suggests that the changes are small. If a need has been identified to reprioritise spending, the expectation would be for more than just marginal adjustments.
- 3.46. There is little indication of what drives these changes. Some of it seems to be driven by a stronger emphasis on the Lisbon priorities (for example increases for Priority 2 ESF) while others might reflect changing socio-economic circumstances.
- 3.47. Although it is mentioned in passing that the Programme is in line with Lisbon priorities, this could be spelled out more explicitly.

*Alternative policy mix*

- 3.48. One objective of the Ex Ante Evaluation is to consider whether there is an alternative mix of policies that could achieve the objectives of the Programme. At the broadest level, this implies a consideration of whether the key strategic challenges of the Programme are best addressed by the proposed Priorities.
- 3.49. The key strategic challenges arise from the current gap between WWV and the rest of the Wales and the UK in terms of GVA per head, which is mostly explained by lower value-added per job and high levels of economic inactivity. The Priorities detailed above are clearly aimed at targeting both skills and economic inactivity, which meet the strategic challenges.
- 3.50. The main focus of the Priorities originally was on the working age population. It may be argued that in order to tackle and overcome the barriers to economic activity, intervention is required to prevent people from falling into the a cycle of low skills and inactivity. In particular, this might entail addressing the cause behind the recent increases in young people NEET, the low level of attainment by school leavers, the relatively high proportion of children in non-working families and the effect that poor health is having on

economic activity. This has now been addressed by the introduction of the new Priority 1.

3.51. Overall, there is a good balance between preventative approaches (for example aiming to sustain employment through improvements in employability) and curative approaches. However, adding in more emphasis on early intervention has further strengthened this balance.

3.52. There may also be a case for examining the role of migration in the WWV and looking at means of attracting and retaining in-migration of higher skilled individuals. This does not currently form part of the Programme Priorities.

3.53. In terms of appropriateness of policy mix, it is recognised that not all activities can be undertaken within the Programme. However, it may be valuable that the strategy comments on what is achievable within the Programme and how the Programme will add value over and above regional/national interventions.

3.54. In terms of trade-offs, DTZ do not believe that there are substantial negative trade-offs between the priorities identified. This view is based on the extent of complementarity between the priorities and the lack of evidence to suggest that the pursuit of these priorities would have a negative effect on society, either now or in the future. However, in a broader sense there may be trade-offs depending on the choice of intervention. That is to say, that by selecting a particular path of policy, the Programme forgoes the opportunity to intervene in a different way. In addressing the possible issue of trade-off within this context, there may be scope to explain why one form of intervention is chosen against a possible alternative.

#### Validity of the theory

3.55. As identified above, for the most part the Priorities and Themes of the strategy map to the Analysis. However, there needs to be a structured argument that leads from the evidence base, presents the theory behind

intervention and clearly links to the Priorities. In addition, the strategy would be strengthened if the priorities and the Themes differentiated more clearly between helping individuals (i.e. by increasing employability) and assisting the economy (i.e. matching skills development with the needs of the economy).

*The case for and against public intervention*

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

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

3.57. Throughout the Programme Priorities, there are two main arguments for intervention. One is based on the equity argument with Priorities aimed at increasing the welfare of individuals through enhancing their employability and the second is based on positive externalities gained from a more productive workforce, whose skills are better matched to the needs of businesses.

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

#### Policy risk

3.59. The Commission noted that the Analysis should cover the policy risk involved in the choice of Priorities (European Commission Draft Working Paper on Ex Ante Evaluation, October 2005, p. 9). Arising from a concern that Structural Funds interventions were becoming increasingly risk-averse, this aims to explore the balance between more standard interventions which are 'easier' to implement and those which are inherently more risky but might have a bigger impact. In this context, risk is interpreted as the risk of delivering the outcomes, i.e. whether the intervention works. The impact of the policy are the outcomes if the policy delivers, i.e. the outcomes, if the policy has worked on the overarching objectives of the Convergence Programme in terms of jobs and growth. As an example, finding the cure for cancer has high policy risk (as the research only has a small likelihood of succeeding) but a very high impact if successful.

3.60. The strategy chapter does not provide enough detail on activities to make a comprehensive assessment of policy risk possible. Within each Priority it would be possible to support activities with varying degrees of risk and innovation.

3.61. Table A2 in Annex D contains a headline risk assessment of each Priority and Theme. This indicates the potential scale of policy risk alongside potential impacts of the associated intervention.

3.62. Overall, the Programme contains a range of traditional interventions that have been tried and tested in the past. This is particularly true of Priority 2. However, the potential impact of interventions will depend on the specific action undertaken in each Theme and the success of these in addressing the

specific barriers faced by individuals. Intervention aimed at increasing the level of cooperation and collaboration and establishing shared systems in the public sector is inherently more risky as experience has shown that it can take considerable time and financial resource (see for example the optimism bias for IT projects, the most important shared service area, suggested by HM Treasury as part of the Green Book guidance).

3.63. There may be scope to review whether there is value in implementing somewhat riskier interventions, if higher pay-off can be achieved. At present, the policy mix is relative low risk, and given that these are aimed at addressing long-standing issues in WWV, it may be worth considering whether there are areas where more innovative policies could be included in the policy mix.

#### *Internal consistency*

##### Introduction to internal consistency section

3.64. The task of the evaluator as set out in the specification for an ex-ante evaluation is to determine:

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

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

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

#### Conflict between Priorities

3.67. DTZ has not identified any notable conflict between Priorities. The Programme is focused on targeting three identified problems that exist in WWV, namely the need to increase economic activity and employment, the need to increase the skills base of the workforce and thirdly to deliver public services more effectively. These Priorities demonstrate a coordinated approach to tackling the issues faced in WWV.

3.68. The two key areas, which WEFO may wish to consider, are:

- The extent to which any interventions might fall under more than one Priority/Theme, e.g. interventions aimed at raising skills of different groups; and
- The fit of Priority 4 in the Programme, and in particular the appropriateness of building the capacity of public service sector to deliver higher quality services should be considered. This appears to be more focused on a national issue of public service efficiency rather than specific action required in WWV.

#### *Summary and recommendations – Internal consistency*

3.69. The Programme Priorities have a high degree of internal consistency, with few conflicts between Priorities.

3.70. The majority of interventions are well established and tried and tested in previous programmes, which reduces policy risk. There may be scope to consider whether the mix of risk and impact is appropriate and whether there is scope to include more risky policies with higher levels of potential impact.

#### *Revisions to the strategy*

3.71. A number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission

in mid-December 2006. The revisions as they affect our appraisal of the Programme strategy are discussed below.

3.72. In line with the 'new' Priority 1 Supplying young people with the skills needed for employment, the strategy builds on the information in the Analysis regarding lower skills and rising NEET levels among young people in WWV and the revised OP contains additional text in this regard. Further, the strategy has been further extended to include text on the importance of delivering effective public services. This again appropriately draws on information in the Analysis, strengthening the link between weaknesses and issues identified in the Analysis and objectives outlined in the strategy.

3.73. Other than minor changes to indicative activities under several of the Themes, there are no significant changes in the Priority Axes section, and none that substantively change comments made previously. Some examples of changes are noted here:

- The inclusion of activities aimed at delivering targeted interventions to support school-based and community focused interventions to improve learning outcomes of the most disadvantaged young people and those at risk of underachieving in Theme 1 of Priority 1; and
- The inclusion of provision of specialist support for disadvantaged groups, including young offenders, Black and Ethnic Minorities, people recently made redundant or under notice of redundancy and those classed as NEET in Theme 1 of Priority 2.

#### **4. APPRAISAL OF CONSISTENCY WITH REGIONAL AND NATIONAL POLICIES AND COMMUNITY STRATEGIC GUIDELINES**

##### *Chapter overview*

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

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

4.2. Further, related to the consideration of external consistency is the evaluation of the extent to which the Programme contributes towards Community added value.

##### *Consistency with European policy and the Community Strategic Guidelines*

4.3. DTZ has appraised the consistency of the ESF Convergence Programme strategy with the key European policies and strategies. These are:

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

*Structural Funds Regulations for 2007 – 2013*

- 4.4. Article 3 of the Regulations relates to ESF programming. It states that efforts should be focused on modernising and diversifying regional and local economies through a number of Priorities.
- 4.5. Areas of consistency between the regulations and the Programme include:
- Increasing the adaptability of workers, enterprises and entrepreneurs, particularly by:
    - Lifelong learning, increased investment in human capital by enterprises, development of apprenticeships, improved access to training by low-skilled and older workers, dissemination of ICT; and
    - Better health at work and better identification of occupational and skills needs in the workplace.
  - Enhancing access to employment and sustainable inclusion in the labour market of job seekers and inactive people, preventing unemployment, in particular long term and youth unemployment, encouraging longer working lives and increasing participation in the labour market, in particular by promoting:
    - Facilitated access to child and dependant care;
    - Increasing the participation of women in the workplace and reducing gender based segregation in the labour market; and
    - Addressing the root causes of the gender pay gap.
  - Reinforcing the social inclusion of disadvantaged people with a view to their sustainable integration in employment and combating all forms of discrimination in the labour market, in particular:

- Re-entry into employment for people experiencing social exclusion, early school leavers, minorities, people with disabilities and child and dependant carers;
- Promoting acceptance of diversity in the workplace and combating discrimination; and
- Promoting partnerships, pacts and networking between stakeholders
- Developing the supply side and demand side of ICT (for both SMEs and individuals/households);
- Developing human potential in research and innovation, notably through post graduate studies;
- Dissemination of eco-friendly technologies, promotion of entrepreneurship and innovation and business start-ups;
- Local-level initiatives, supporting community development;
- Mitigating environmental problems, regenerating brownfield and derelict land;
- Support for tourism and the promotion of the region's natural assets in a sustainable manner;
- Transport investments;
- Energy investments; and
- Investment in social infrastructure.

4.6. Overall, the Programme covers most of the key Themes contained in the Regulations. It is also clear that the objective of modernising labour market institutions can be picked up within the Programme without having an explicit Theme to cover them. While there are some Themes not picked up (although it should be noted that some of these – e.g. transport investments – will be picked up in the ERDF Convergence Programme), in the view of the evaluators this represents a useful focusing of the Programme in line with

Structural Fund regulations for the new programming period which require targeting at the most important needs in order to bring about significant effects. A large range of Priorities and additional Themes would distract from this focus.

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

Cohesion policy in support of growth and jobs: Community Strategic Guidelines 2007 – 2013

- 4.8. The Community Strategic Guidelines contain the principles and priorities of cohesion policy. The UK used the guidelines as the basis for drafting the National Strategic Reference Framework (NSRF), which is discussed in section 4.35 of the present report.
- 4.9. According to the guidelines and in line with the renewed Lisbon strategy, programmes co-financed through the cohesion policy should seek to target resources on the following three objectives:
- Improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
  - Encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies; and
  - Creating more and better jobs by attracting more people into employment, entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

- 4.10. Whilst it is clear that the first objective is more appropriately tackled through ERDF interventions, ESF Priority 4 seeks to improve the quality of public services through more effective collaborative working and increase the capacity of public services to deliver higher quality services. Achieving the aims of this Priority should thus contribute to the first objective.
- 4.11. The second objective above addresses the development and encouragement of innovation and the development of research capabilities. Whilst it is clear that support for this objective is part of the ERDF Convergence Programme, as is illustrated above, the ESF Programme also favours support for the knowledge economy and helping workers and enterprises to adapt to new technologies.
- 4.12. The third objective includes a focus on improving the adaptability of the workforce. In this regard, ESF Priority 3 is closely aligned with this objective in that it aims to improve the skill levels of the workforce and address skills gaps and shortages and the adaptability of both enterprises and workers.

*The Third Report on Economic and Social Cohesion*

- 4.13. The objectives identified for Member States in the third report on economic and social cohesion are:
- Strengthening competitiveness and employment creation;
  - Social cohesion and the risk of poverty;
  - The ageing of the population and increasing dependence rates;
  - Narrowing disparities in regional competitive factors;
  - Improving infrastructure endowment;
  - Strengthening human capital;
  - Strengthening social cohesion;
  - Continuing disparities in innovative capacity;

- Ensuring access to basic services;
- Narrowing regional disparities in income;
- Supporting foreign direct investment (FDI);
- Building the knowledge economy;
- Strengthening education and training;
- More and better jobs in an inclusive society; and
- Environmental protection for sustainable growth and jobs.

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

4.15. The ERDF Convergence Programme covers all of the remaining cohesion policy objectives outlined above.

#### *The Lisbon Strategy*

4.16. Lisbon aims are summarised under three headings:

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

4.17. Clearly, the Programme Priorities of increasing employment and tackling economic inactivity and improving the skills level and adaptability of the workforce map directly on to the Lisbon aim of creating more and better jobs.

Within the Lisbon aim of creating more and better jobs, there are a number of sub-headings, where there is also considerable overlap with the Programme. These are:

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

4.18. Across Priorities, there is strong overlap between the Programme and Lisbon strategy aims. The Programme seeks to support the development of ICT, innovation and entrepreneurial skills and high-level qualifications, which will support the Lisbon aim of knowledge and innovation for growth.

4.19. Under the Lisbon Strategy headings outlined above, there is one key Theme that is not covered within the Themes of the Programme, that of

making Europe a more attractive place to invest in and work. This is intended to address inequities in European markets and regulations and to expand and improve EU infrastructure. Clearly, these major, trans-national structural changes are not appropriate Themes to include in the Programme. Immigration in WWV would be an appropriate issue to address in the Programme, however, it is not explicitly discussed.

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

#### *Equal Opportunities*

4.21. Gender equality, especially in relation to the workplace, has been a feature of European policy since the Treaty of Rome. Over time, this issue has been broadened out to encompass Equal Opportunities for a range of groups. Equal opportunities have been an important feature of Structural Funds, with a special emphasis within ESF. Equal Opportunities was a Cross Cutting Theme (CCT) in the current Objective 1 Programme (2000 – 2006) and are proposed to be a CCT in the new round of funding.

4.22. The Equal Opportunities CCT is discussed within a separate chapter of the Consultation Document on CCTs. That chapter covers both the ERDF and the ESF Convergence Programmes and identifies the following objectives:

- Decrease the number of people who are inactive and support them into training and employment;
- Increase the number of women, BME and disabled people securing training and employment in higher paid and higher skilled sectors and self employment;
- Challenge gender role stereotyping by increasing the number of women and men moving into non-traditional areas of employment; and

- Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring systems and methods of feeding in improvements.

4.23. As would be expected, all of the Programme Themes impact upon one or (more usually) several of these Equal Opportunities objectives.

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

*The Gothenburg Agenda / Environmental Sustainability*

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

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

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

4.27. Supporting those with carer responsibilities for dependants and encouraging and supporting people to remain in work longer are both covered in Themes of the Programme. This will have a positive impact upon the social and economic implications of an ageing society. The Programme will also impact on health.

4.28. The environmental sustainability of the Programme is discussed in the chapter on CCTs. Biodiversity (promotion of aquatic biodiversity and protection in new developments), Climate Change (in relation to a reduction in Greenhouse Gases and adapting to its impact) and Sustainable Transport are covered as headings. However, there is no explicit link between the Programme and environmental sustainability, for example in the area of skills development.

Annex 2 of the Draft Working Paper on Ex Ante Evaluation

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

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

4.30. Also, assessment must be made of:

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

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

4.31. The Programme is designed to contribute to attracting and retaining more people in employment. Priority 1 relates to increasing employment and Priority 2 supports people to stay in employment. Within these Priorities, the different needs of the different groups of workers (young school leavers to those looking to retire or work more flexibly; those who are socially disadvantaged or excluded; and those who have child or dependant care responsibilities) are addressed.

4.32. The Programme will contribute greatly to improving the adaptability of workers. Priority 3 is focused solely on improving the skills level and adaptability of the workforce and thus enhancing human capital.

4.33. Modernisation of social protection systems is not covered by the Programme. However, as this is a UK and not a devolved responsibility, this is appropriate.

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

*Consistency with UK policy and strategy*National Strategic Reference Framework

4.35. The National Strategic Reference Framework sets out the priorities for the Structural Fund programmes across the UK. The strategy for the Programme broadly mirrors the priorities detailed in the NSRF.

4.36. The priorities which could be included in the Programme to increase compatibility include:

- Tackling barriers to participation in the labour market by providing incentives; and
- Promoting work-life balance.

*UK National Reform Plan*

4.37. The key document relating the Lisbon strategy to the UK policy level is the UK National Reform Plan (Lisbon Strategy for Jobs and Growth - The UK National Reform Plan, HM Treasury, October 2005). The Reform Plan is an EU-wide initiative which replaces the National Employment Action Plans, which tended to only focus on priorities with direct relevance to ESF-related Priorities. The 2005 UK National Reform Plan focuses on three broader objectives:

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

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

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

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

4.40. The latter two relate to UK-wide initiatives. However the responsibility of improving the supply of affordable childcare rests with Local Authorities and could therefore be incorporated within the Programme as a direct action.

4.41. With regards to the UK National Reform Plan focus of promoting productive growth, there is clear consistency between the Programme Priority 3 of Improving the skills level and adaptability of the workforce and the following objectives of the Reform Plan:

- Raising the skills level of the workforce by increasing participation in education at age 17;
- Increasing participation in higher education for those aged 18-30; and
- Ensuring that adults improve basic skills and reducing the number of adults without a NVQ Level 2 qualification.

4.42. The European Commission draft Working Paper on Ex Ante Evaluation (October 2005) requires an assessment of whether there are sufficient financial allocations to deliver the objectives of the National Action Plan (now the National Reform Plan). In the proposed new ESF Programme, there is sufficient financial allocation for Priority 3.

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

4.43. The UK National Report on Strategies for Social Protection and Social Inclusion<sup>2</sup> for the period 2006-2008 sets out UK wide actions sets out a number of key challenges for social inclusion across the UK, namely:

- The economic situation, in particular inequalities;
- Child poverty;
- Access to employment;
- Access to quality services; and
- Discrimination.

4.44. The key policy objectives identified are:

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

4.45. The broad objectives embodied in the National Report are clearly consistent with the ESF Convergence Programme. Some of the interventions are UK level interventions (child poverty through the tax/benefit system and

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<sup>2</sup> [http://ec.europa.eu/employment\\_social/social\\_inclusion/naps\\_en.htm](http://ec.europa.eu/employment_social/social_inclusion/naps_en.htm)

the National Action Plan) while others are included in the Programme as shown in Table 4.1 below:

4.46. Table 4.1 National Report and Convergence Objectives

<b>National Report objective</b>	<b>Corresponding Priority in the ESF Convergence Programme</b>
Increasing labour market participation	ESF Priority 1
Improving access to Quality Services	ESF Priority 3
Tackling discrimination	Equal Opportunities CCT

Consistency with Welsh policy and strategy

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

Wales: A Vibrant Economy

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

4.49. W:AVE has been drafted to set the strategic framework for the European Structural Funds Programmes 2007 – 2013 and is closely aligned with the Lisbon Agenda, particularly delivering more and better jobs and a focus on knowledge and innovation. Sustainability is at the heart of W:AVE.

4.50. Key areas of consistency between W:AVE and the ESF Convergence Programme include:

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

Wales – A Better Country

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

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

- Increasing the take-up of lifelong learning;
- Ensuring more people are equipped for the modern labour market and so increase economic activity;
- Providing each learner with a learning pathway to give them skills, experience and opportunity needed for successful life and work;
- Providing a financial incentive for lifelong learning; and
- Ensuring that less well-off areas do not suffer from lower quality services.

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

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

*Skills and Employment Action Plan*

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

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

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

4.57. Priority 1 highlights the low skills as a considerable factor affecting economic inactivity. Tackling this is closely aligned with the SEAP strategy of

- Improving attainment of skills essential for employment, in particular basic skills and key skills;
- Making learning provision in schools, colleges and universities and the workplace still more attractive to learners and relevant to the world of work; and
- Increasing participation in learning.

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

- Better co-ordinate interventions in Wales to reduce or remove the barriers to participation in work;

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

4.59. The SEAP identifies a particular focus on taking a sector- and community-based approach to join up economically inactive people with hard to fill jobs. Examples of such activities include a pilot programme in Bridgend to provide jobs within the communities where investment occurs (e.g. an improved housing programme).

4.60. Priority 3, improving skills levels and improving the adaptability of the workforce closely complements the SEAP objective of improving the mechanism for workforce development.

4.61. The SEAP objective of working with employers and employees to improve skills is partially covered within the ERDF Convergence Programme Priority 1, which focuses on promoting economic growth through higher value-added products and services. This closely complements the SEAP objective of stimulating the demand for skills by encouraging businesses to pursue higher value-added products and services. However there are two SEAP objectives under this Theme that are not strongly covered by the Programme Themes, namely:

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

4.62. The inclusion of these two elements in the Programme Priorities would increase the consistency of the Programme with the SEAP.

### Wales Spatial Plan

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

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

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

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

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

4.66. In addition, the Wales Spatial Plan places a strong emphasis in targeting children in their early years. It is unclear whether the ESF Convergence Programme also aims to focus on children in their early years or not.

Other Welsh strategies

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

- A Winning Wales- National Economic Development Strategy;
- Wales Sustainable Development scheme;
- Iaith Pawb: A National Plan for a Bilingual Wales;
- The Learning Country;
- National Action Plan for Social Inclusion;
- Extending Entitlement;
- 14-19 Pathways;
- Reaching Higher- A Strategy for the Higher Education Sector in Wales;
- Nexus Report;
- Our Environment Our Future;
- Energy Wales Consultation Document;
- Waste Strategy; and
- Making The Connections.

4.68. In summary, DTZ has found a good fit between these strategy documents and the ESF Convergence Programme. Whilst the degree of

relevance varies across documents, there does not appear to be conflict or contradiction between the strategies and the Programme.

- 4.69. One area that is not covered by the Priorities is reference to the role of the Welsh language within community regeneration and development. However, as identified in the strategy *Iaith Pawb*, developing a sustainable economic base is important in creating sustainable communities, which strongly fits with the ESF Convergence Programme Priorities.

### *Consistency with other Structural Funds Programmes*

#### ERDF Convergence Programme

- 4.70. There is strong complementarity between ERDF Convergence and ESF Convergence Priorities. It is entirely consistent both in that a highly skilled workforce is required to support a high-added value economy and, vice-versa, in that appropriate economic opportunity will need to be provided in order to retain highly skilled individuals.
- 4.71. There may be scope for WEFO to consider the possible mechanism of using ERDF Convergence Programme spend to stimulate employment and economic activity in the WWV and support the Priorities in the ESF Convergence Programme.
- 4.72. The key areas for complementarity between the ESF and ERDF Convergence Programmes are illustrated by Table A3 in the relevant section in Annex D relating to this part of Chapter 3.

#### Territorial Co-operation Programme

- 4.73. The Territorial Co-operation Programme sets out the planned interventions to encourage cross-border working between Ireland and Wales. In relation to cross-border co-operation, the Community Strategic Guidelines state that “the ultimate objective of cross-border cooperation in Europe is to integrate areas divided by national borders that face common problems requiring common solutions.” The Guidelines also stress the need to

concentrate the assistance on the main priorities in support of growth and job creation.

4.74. The Programme sets out which policy areas might be suitable for territorial cooperation, focusing on the following areas where there are real opportunities for cross-border working:

- R&D;
- Education; and
- Training.

4.75. More limited opportunities for co-operation with a focus on specific issues of common concern are identified in the following areas:

- Community development;
- Climate change; and
- Environmental awareness.

4.76. The Programme also identifies areas where, despite common challenges, the Programme can not add significant value to national-level interventions, namely:

- Infrastructure;
- Broadband provision and access;
- Social deprivation; and
- Inter-regional imbalances.

4.77. The OP is structured around two Priorities, each containing two Themes:

- Priority 1 – Knowledge, innovation and skills for growth

Theme 1 – Innovation and competitiveness

Theme 2 – Skills and competitiveness for employment integration

- Priority 2 - Climate change and sustainable regeneration

Theme 1 – Climate Change and environmental sustainability

Theme 2 – Sustainable regeneration of communities

4.78. The Programme highlights that areas of notable success in the last Programming period (2000-2006) was the collaboration of higher and further education colleges and the private sector in the management, monitoring and protection of natural resources in the Irish Sea with collaboration on subjects as diverse as habitat mapping, the monitoring and protection of endangered species, and the sustainable management of sea based aggregates.

4.79. The areas of intervention chosen in the Territorial Co-operation Programme are also covered in the Convergence Programmes. For example, there are direct overlaps between all ERDF Priorities and the Territorial Co-operation Programme, as well as Priority 3 of the ESF Programme. Table 4.2 below highlights where Themes of the Territorial Co-operation Programme most clearly overlap with Priorities in the ERDF or ESF Convergence Programmes.

4.80. Table 4.2 Overlap between Territorial Co-operation and Convergence Themes

<b>Territorial Co-operation Theme</b>	<b>Priorities in the Convergence Programmes</b>
Priority 1- Theme 1: Innovation and competitiveness	ERDF Priority 1
Priority 1- Theme 2: Skills and competitiveness for employment integration	ESF Priority 3

Priority 2 - Theme 1: Climate Change and Environmental Sustainability	ERDF Priority 2
Priority 2 - Theme 2: Sustainable Regeneration of Communities	ERDF Priority 3

#### ERDF and ESF Competitiveness Programmes for East Wales

4.81. The ESF Convergence Programme is fully consistent with the Priorities and Themes being developed for the Structural Fund interventions in East Wales under the ERDF and ESF Competitiveness Programmes. In the main the Competitiveness Programmes map closely onto the needs and priorities identified for WWV and should complement the interventions.

#### Rural Development Plan and Fisheries

4.82. It is critical that the Convergence Programmes complement the provisions of the Rural Development Plan (RDP) and the European Fisheries Fund in Wales. Whilst these Programme are still being finalised in Wales, some overarching comments can be made in this regard. It is imperative that funding provided for ESF interventions is not duplicated, and also that funding is allocated in a way that maximises value for money. For example, if workers are trained in particular agricultural skills, it is important that funding has not already been provided for this under the RDP Programme. On the other hand, where funding is provided to a particular sector or enterprise under the RDP Programme, skills funded under ESF should be complementary and identified to fill particular skills shortages.

#### *Revisions to the strategy*

4.83. A number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission in mid-December 2006. The revisions as they affect our appraisal of the Programme strategy are discussed below.

- 4.84. Although DTZ previously concluded that the Programme is largely consistent with EU and UK strategies and policies, the revised OP includes additional text that makes this consistency more explicit and discusses how the objectives and Priorities of the Programme fit with policies such as the Lisbon agenda, the UK National Reform Plan and the UK National Strategic Reference Framework, thus strengthening the OP in this regard.
- 4.85. Related to this issue of external consistency, the revised OP now also includes a number of paragraphs which outline the general principles for ensuring that the Welsh Assembly Government maximises the use of funds and as far as possible achieves value for money and avoids duplication.
- 4.86. These additions do not contradict comments made previously regarding the rationale of the strategy, or its internal or external consistency.

*Summary and recommendations – External consistency*

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

*Community added value*

- 4.88. Throughout the evaluation, the evaluators have considered to what extent the Programme provides Community added value. With respect to the Programme strategy, rationale and internal and external consistency chapter, the key consideration has been whether the OP indicates that the Programme can add value to Community priorities, as well as providing financial added value, in terms of additionality and leverage effects.
- 4.89. It is worth highlighting that the Programme specifically highlights the approach to Community added value, setting out clearly and comprehensively the different elements which will make up the Community added value of the Programme, drawing on lessons learned from previous Programmes.
- 4.90. The Programme strongly links to Community priorities, specifically highlighting the Lisbon agenda, and the interventions are designed to maximise Community added value with regard to Community priorities. The Lessons Learned paper has highlighted that it is crucial for Programme priorities to be strongly linked to regional and national priorities, as well as Community priorities, to provide most effect and this is clearly the case for the Programme. Furthermore, the Programme builds on good practice in relation to the integration of the Cross Cutting Themes, ensuring that these are built in from an early stage.
- 4.91. In terms of financial provision, it is clear that the ESF Convergence Programme will leverage in significant match funding from the Welsh public sector. The financial allocations show a range of co-financing rates across the different priorities, with varying levels of Structural Fund, Welsh public funding and private match funding contributions<sup>3</sup>. WEFO has indicated that these different rates arise from a careful analysis of rates which are potentially achievable, aiming for a high level of match funding while at the same time being realistic and minimising risk, especially in view of the scale of match funding required. WEFO will add further text to the OP to clarify how the

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<sup>3</sup> The exception being TA which is matched on a one-for-one basis.

match funding rates have been derived. At present, the level of envisaged private sector match funding has not been detailed in the OP. WEFO has advised that additional text will be added to the financial provisions chapter detailing the rationale behind the structure of funding for ESF Convergence, whereby the level of match funding has been carefully considered in line with consultation with various partners.

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

## 5. APPRAISAL OF PROPOSED IMPLEMENTATION SYSTEMS, MONITORING AND INDICATORS/TARGETS

### *Implementation systems*

#### Introduction

- 5.1. This chapter contains the appraisal of Programme implementation arrangements. It also reflects on how earlier comments made by DTZ on the monitoring and evaluation components of the Convergence Consultation Document have been addressed. It should be highlighted that the monitoring and evaluation elements of the Implementation Chapter were available to DTZ at an earlier stage than for other elements of the chapter and that this is reflected in an additional iteration of comments on monitoring and evaluation arrangements.
- 5.2. The full implementation chapter has only become available shortly before the report was finalised. Consequently, DTZ are unable to assess at this stage how far recommendations on implementation arrangements have been taken into account. However, WEFO have accepted and agreed to implement the vast majority of recommendations made.
- 5.3. The Commission's Draft Working Paper on Ex Ante Evaluations specifies that the following details in the OP need to be assessed:
- Designation of bodies and procedures for implementation;
  - Monitoring and evaluation systems;
  - Partnership arrangements;
  - Publicity; and
  - Procedures for the exchange of computerised data to meet payment, monitoring and evaluation requirements.

5.4. This chapter analyses risks and makes recommendations for preventative action, drawing on the lessons learned from previous evaluations (see Annex B). Broadly in line with the headings noted above, the Implementation Chapter of the OP is organised according to the following headings:

- Designation of Authorities;
- Partnership;
- Implementation;
- Payment Bodies;
- Procedure for Financial Flows;
- Computerised Exchange of Data;
- Monitoring and Evaluation; and
- Publicity and Information.

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

*High-level recommendations*

- 5.6. The Implementation Chapter sets out a high-level description of the proposed implementation arrangements. In setting out these arrangements, WEFO can draw from its experience of implementing the Programmes in the last round of funding. It is thus entirely appropriate that some of the provisions are kept relatively general. However, in areas where there is major change or where shortcomings were identified in the last round of funding, it would be useful if the document clearly identifies what the issues were and how the changes in this round of programming will address them. In particular, this should be explored in relation to the introduction of the new electronic Knowledge Management system and the creation of Strategic Frameworks.

Recommendation: The rationale for introducing changes such as the new electronic Knowledge Management system and the Strategic Frameworks should be explored in greater detail.

- 5.7. Setting up new systems is inherently more risky than continuing to use the previously tried and tested systems. The Implementation Chapter should explore risks associated with the introduction of new implementation arrangements, highlight risk mitigation or management measures and weigh up these risks against the benefits of the new arrangements.

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

- 5.8. More generally, there is a need to explore all implementation risks alongside potential mitigation approaches.

Recommendation: A high level risk register should be included in the Implementation Chapter.

*Designation of Authorities*

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

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

- 5.10. Under the description of the functions of the Audit Authority it was recommended that there should also be discussion of the verification function of the IAS in checking whether an audit trail exists for all payments and whether all records are kept in accordance with audit principles.

Recommendation: The importance of IAS verifying the audit trail and ensuring compliant record keeping should be highlighted.

*Partnership*

- 5.11. In discussing selection of partners to implement the OP the aspiration is highlighted that participation of voluntary and community bodies will be encouraged. More indication of how this will be addressed would be useful.

Recommendation: More detail on how voluntary and community bodies will be encouraged to participate is required.

- 5.12. In the Implementation Chapter, a target of 40% representation of women on the Programme Monitoring Committee (PMC) is mentioned; this should perhaps be a 'minimum of 40%'. More indication of how this will be achieved would be useful: for example how women are going to be encouraged to take part. Are there any other groups that should have some representation such as black and ethnic minorities? Is private sector representation desirable?

Recommendation: More detail on how the PMC will be constituted is required.

- 5.13. The frequency of PMC meetings could be specified as a minimum requirement of two meetings per year.

- 5.14. Further, the PMC's role in setting project selection criteria is highlighted. Detail should be given on how this fits with the role of the Strategic Frameworks.

Recommendation: The interaction of the PMC with the Strategic Frameworks should be explored, for example in relation to project selection criteria.

- 5.15. An indication of what criteria will drive project selection would be useful.

Recommendation: More detail is required on what criteria will drive selection.

*Implementation*

- 5.16. There is an indication in the text that this section is still being revised. However, the ex ante evaluation can only comment on the detail presented at the time.
- 5.17. The third bullet point in the section on the principles for guiding development and implementation of the OP suggests that fewer projects will result in ‘deeper interventions’. A brief explanation of this concept would be helpful.

<p>Recommendation: Mainstreaming equality has to be highlighted alongside Lisbon and Gothenburg.</p>
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<p>Recommendation: The term ‘deeper interventions’ needs to be explained.</p>
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- 5.18. A number of key documents are highlighted in the Implementation Chapter but only the Wales Spatial Plan is discussed subsequently. If the Wales Spatial Plan needs to be highlighted over and above what is already included in the Strategy Chapter then it should be made clear what the specific link to implementation will be (i.e. focusing and expanding on what is included in section 6.22 of the Implementation Chapter).
- 5.19. In the section of the Implementation Chapter which discusses the importance of the Wales Spatial Plan as a framework for policy choices and delivery, it is noted that the Plan ‘will set the framework for choices both on policy priorities and for delivery’. This seems very general – does this apply to all priorities under all Programmes? Later in the same paragraph, three specific ERDF priorities are highlighted which seems to indicate a more limited application of the Wales Spatial Plan. Also, there is no specific reference to the ESF priorities.

Recommendation: The role of the Wales Spatial Plan in implementation needs to be refined and explained in more detail.

- 5.20. The Implementation Chapter gives some broad information on Strategic Frameworks. More detail on how Strategic Frameworks will operate would be helpful: for example outlining how many are expected, what kind of areas are likely to be covered, and so on.

Recommendation: More detail on Strategic Frameworks would be helpful.

- 5.21. In the section of the Implementation Chapter which gives detail on how payments to projects will be made, there is mention of the Managing Authority, the Payments Branch, the Programme Management Division and the Certifying Authority. A diagram might be helpful to illustrate the organisational structure.

- 5.22. In the section of the Implementation Chapter which covers the frequency of payments to projects, 'regular intervals' is mentioned. A more specific period (e.g. quarterly) could be specified.

- 5.23. Information is given in the Implementation Chapter on the electronic claims system, Programme and Project Information Management System (PPIMS). For clarity, the sentence starting with "This will ensure all fields ..." could be split up and simplified.

- 5.24. Key features of PPIMS, such as its development, functions, objectives, and milestones, should be discussed in more detail in a stand-alone section (for example under a new section 'Knowledge Management' which also includes the provisions for computerised exchange of data).

Recommendation: A separate detailed section on PPIMS would be helpful.

5.25. Further, there is a provision to make payments to projects in advance. In general, a full payment in advance would be unusual and it might be worth exploring whether only a percentage of the total should be paid in advance. There is also a broad provision to pay organisations by ‘need’. The text is not very clear on what this entails. In general, all payments should be linked to project delivery (or anticipated delivery in the case of advance payment), so it is difficult to see where ‘need’ comes into these payments.

Recommendation: The conditions for payment in advance or by ‘need’ have to be specified in more detail.

#### *Monitoring and evaluation*

5.26. Under the section of the Implementation Chapter, relating to projects’ selection of indicators, more detail on what support will be provided to encourage monitoring by projects would be useful.

5.27. In addition to the functions of the Annual Implementation Report set out in the Implementation Chapter, the Annual Implementation Report should also be used to report annually on progress to a wide range of stakeholders in Wales, including the general public.

Recommendation: The role of regular monitoring and evaluation in reporting progress to the wider stakeholders in Wales would be helpful.

5.28. Where the Implementation Chapter refers to this Ex Ante Evaluation reference should be made to the independent and objective nature of the external evaluators (DTZ).

- 5.29. There is a general reference to the Monitoring and Evaluation Plan. A draft outline of this plan would be useful in assessing the proposed monitoring and evaluation arrangements.

Recommendation: A draft outline of the Monitoring and Evaluation Plan should be included in the OP.

- 5.30. In the section of the Implementation Chapter which relates to project-level monitoring and evaluation guidance, more details on what guidance will be supplied would be helpful.

- 5.31. An indication of what evaluation capacity building will take place would be useful as part of the section on 'Managing Monitoring and Evaluation'.

Recommendation: More detail on how evaluation capacity will be built up in this funding period would be helpful.

- 5.32. In addition to these specific comments, the next section of this appraisal also looks at the recommendations provided on 10 October 2006 by DTZ on proposed monitoring and evaluation arrangements, and in how far those recommendations have been implemented by WEFO in the latest draft OP.

*Monitoring and evaluation – Implementation of previous recommendations*

- 5.33. The overarching recommendation of introducing a monitoring and evaluation strategy (or evaluation plan) has been accepted by WEFO. On the whole, WEFO has accepted the recommendations relating to monitoring and evaluation but wants to retain a high degree of flexibility by specifying the details in the Monitoring and Evaluation Plan. The evaluators accept that WEFO is intending to include the required detail outwith the OP document itself.

5.34. Contained within the relevant section of Annex D relating to information for this section of Chapter 5 is Table A4 that outlines the recommendations made and an assessment of the actions taken by WEFO in response to these. Further, an earlier appraisal of the monitoring and evaluation arrangements that took place and led to the introduction of the Monitoring and Evaluation Plan can be found in the Annex D to this chapter.

*Publicity and information*

5.35. In this section relating to publicity and information in the Implementation Chapter, there seems to be scope for a more pro-active and positive role for communication activity in highlighting the added value Structural Funds have brought to Wales.

*Revisions to the Implementation Chapter*

5.36. A number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission in mid-December 2006. The revisions as they affect our appraisal of the Programme strategy are discussed below.

5.37. It is evident with regard to the various Authorities that more detail on functions and roles of each Authority is provided in the revised OP. For example, the importance of the Managing Authority in ensuring audit trails are adequate in line with the Implementing Regulation has been added.

5.38. It was recommended that more detail be included on the interaction of the PMC with Strategic Frameworks. In this regard the revised OP includes a paragraph explaining that Strategic Frameworks will be developed in partnership – enabling partners to input into the detailed implementation of the programme. The revised OP also details that the Strategic Framework coordinators will work with existing partnerships to develop the framework documents and monitor progress.

- 5.39. It was recommended that where the OP sets out the principles for implementation that mainstreaming equality should be mentioned alongside the Lisbon and Gothenburg agendas. It is noted that the OP now states that it should be implemented with an ‘overarching commitment to mainstreaming gender equality and equal opportunities’.
- 5.40. WEFO has noted that under Audit Arrangements that they will look to directly commission an external firm(s) of auditors to undertake project audits for the 2007 – 2013 Programmes in order to ensure greater control and assurance and provide for a consistent approach across all projects and funds. Further, as recommended in the evaluation, reference has now been made to the independent nature of the evaluators, DTZ.
- 5.41. Text has also been added regarding state aid, noting the requirement that Structural Funds must comply with state aid rules. It is noted in the OP that when Strategic Frameworks are being developed there will be a thorough assessment of state aid issues at an early stage of development, reducing the risk of problems during implementation. Thus the implementation arrangements have been strengthened through the acknowledgement of this issue in the OP with steps to mitigate potential future problems and risks.
- 5.42. Further, it was noted throughout the evaluation where recommendations were made that WEFO had committed to implementing these and in several areas the implementation can be seen in the revised OP. For example, it was recommended that more information on the introduction of the PPIMS system be included in the OP. The revised OP now includes a separate section that provides more information on the introduction of the PPIMS.

*Indicators and targets*Target setting

- 5.43. This section describes the target setting exercise for the Programme. Initially it was envisaged that the monitoring data from the 2000 – 2006 Objective 1 Programme in Wales could be used as a basis drawing benchmarks and formulating targets for the 2007 – 2013 ERDF and ESF Convergence Programmes, based on the costs of interventions and the funding available.
- 5.44. In this regard, a mapping exercise was undertaken by WEFO which correlated Objective 1 Priorities and Measures to Convergence Priorities and Themes. Within each Measure, indicators that were similar to Convergence indicators were chosen, and the data on past performance by each project, and the amount spent by each project was used to produce a cost per output, and a new target on this basis. However, it was concluded that due to the gaps in the mapping, and the fact that the mapping was not entirely consistent due to the fundamental changes evident between the Objective 1 Programme and Convergence Programme, another methodology for setting targets would be required. In addition to this, no benchmarking data was available on the average costs of interventions of the type envisaged for ESF in Wales.
- 5.45. In light of these issues, WEFO staff devised a methodology using statistical information to draw a contextual background for each target and devise the actual target based on the amount of funding available in each Priority and the estimated cost of intervention – for example the cost of programmes to assist raise skill levels. Through discussion with WEFO DTZ provided objective advice on WEFO's processes used to calculate each target, and made several recommendations to improve the robustness of the methodology. Finalised targets are currently being considered by WEFO.
- 5.46. The next steps therefore involve WEFO finalising the targets with advice from DTZ and through negotiations with the Commission.

*Community added value*

- 5.47. Throughout the evaluation, the evaluators have considered to what extent the Programme provides Community added value. With respect to implementation, the key consideration has been whether the Implementation Chapter takes into account Community added value arising from the method of implementing Structural Funds, namely partnership, multi-annual planning, monitoring and evaluation and sound financial management.
- 5.48. Overall, the chapter draws strongly on the lessons learned from previous rounds of Structural Fund implementation and appropriately highlights that Structural Funds can add value by the methods by which they are implemented. The OP sets out clearly what partnership provisions will be made in the Programme and sets out the Strategic Frameworks which have been introduced to address some of the difficulties (for example the large number of individual projects) encountered in the previous round.
- 5.49. The Lessons Learned exercise has clearly identified that the Structural Funds can add value by providing a multi-annual programming framework, as long as there is also a degree of flexibility to allow the programmes to evolve. The OP appropriately reflects both of these dimensions. The OP also clearly sets out financial management arrangements, building on the previous round of funding.
- 5.50. A particular strength of the Structural Funds are the provisions for monitoring and evaluation. The OP sets out a comprehensive approach to monitoring and evaluation which is thought through and will add significant value to the implementation of the Programme.
- 5.51. Overall, it is clear that the Programme implementation aims to maximise Community added value by appropriately highlighting the provisions in areas such as partnership, multi-annual programming and monitoring and evaluation.



## 6. ASSESSMENT OF CHANGES MADE IN RESPONSE TO COMMENTS

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

6.2. Due to the fact that most of the recommendations made by DTZ have been accepted and implemented, not every one is detailed in full, however where appropriate, examples of the changes made are provided for illustrative purposes.

### *Recommendations relating to appraisal of the Analysis*

6.3. As discussed in Chapter 2, DTZ appraised a first draft of the Labour Market Analysis and made a number of recommendations. The vast majority of these recommendations were accepted by WEFO and subsequently implemented in the second draft. DTZ then appraised this second draft and made a smaller number of focused recommendations to further strengthen the Labour Market Analysis. Each of these recommendations were agreed with by WEFO except for:

- Include forecast information

6.4. It was felt in this case by WEFO that they would be better not to include forecast information as they had concerns over the reliability of such forecast data.

- Investigate further the statistic showing the low numbers of 25-34 year olds in Wales.

WEFO declined to take this on board.

6.5. For the other recommendations that WEFO agreed, each was implemented following the second draft. These included:

- Include an additional comparison with EU(25) data;
- Provide absolute figures for numbers of people with no qualifications; and
- Link the SWOT analysis more closely with the Labour Market Analysis in relation to increased deprivation seen by BME individuals, the HE sector in Wales and the principal cause of economic inactivity in Wales.

*Recommendations relating to rationale and internal consistency*

6.6. Although DTZ concluded that the ESF Programme had a well-developed rationale that had a strong link with the key challenges facing West Wales and the Valleys, there were nevertheless a fair number of further recommendations and suggestions made to further strengthen the rationale (as detailed in Chapter 3). For the formulation of the OP, for the most part these were accepted by WEFO and implemented. Examples where either disagreement arose or WEFO declined to accept and/or implement recommendations, or recommendations were not specifically implemented for reasons given, are outlined below:

- There needs to be an explanation of why the strategic priority of in-migration identified in the Analysis will not be taken forward in the Programme.

6.7. This recommendation was agreed upon by WEFO, however specific actions to implement it were not taken due to the fact that it was being dealt with indirectly through the creation of an attractive living/working environment that it was felt by WEFO would encourage in-migration.

- The Programme should highlight how the delivery through Structural Funds will add value and the importance and relevance of the co-financing mechanism.

WEFO agreed with this recommendation but did not action it in the OP, stating that it was implemented instead in the specific guidance relating to Strategy Frameworks.

- Assess the composition of the unemployed and inactive groups in WWV and consider differentiating between these in the Themes.

6.8. WEFO agreed with this recommendation and has undertaken to consider it further. However, there were no substantive changes in the arrangement of Priorities and Themes in this regard, with the previous Priority 1, which was aimed at tackling employment and inactivity becoming Priority 2 in the OP, with the same arrangement of Themes (minus Theme 3 Promoting gender equality in employment which was moved to the Improving skills levels Priority).

6.9. Under Priority 4 Making the Connections – Modernising and Improving the Quality of our Public Services the following two Themes applied in the Consultation Document:

- Theme 1: Transforming Delivery through more collaborative working.
- Theme 2: Building the capacity of public service sectors to deliver higher quality services.

6.10. It was recommended that WEFO consider the validity of splitting this Priority into the two Themes 1 and 2 on the basis that if the purpose of collaboration is to increase quality and effectiveness then capacity to deliver higher-quality services should be achieved within this. After consideration, WEFO decided to keep the two Themes.

*Recommendations Relating to Consistency with other Strategies and Policies*

6.11. In the main, it was concluded that the ESF Convergence Programme is largely consistent with Wales, UK and EU strategies and policies. Where recommendations were made, these were in large part implemented by WEFO. The only recommendation that WEFO did not agree with was:

- Consider whether lifelong learning can be promoted across all population groups.

6.12. All other recommendations made were stated by WEFO to be agreed with and implemented. With regard to strengthening the consistency of the Programme with overarching Welsh policies, one further recommendation was implemented in part:

- Consider whether the Programme should increase the focus of intervention to tackle/prevent future unemployment and inactivity, by specifically focusing on young children

6.13. WEFO partially agreed with this in that they decided to increase the focus of intervention on young people aged 14 – 19. This implementation can be seen in the formation of a new Priority in the OP Supplying young people with the Skills needed for Employment with the Themes:

- Theme 1: Tackling under achievement in schools.
- Theme 2: Integrating young people into the labour market.

6.14. This new Priority thus differentiates between people who are already of working age and may have been unemployed or inactive for long periods of time, and those people who are still on the path towards employment or are new to the labour market in order to intervene and attempt to prevent them moving into unemployment or inactivity as adults. It further improves consistency with Lisbon objectives by taking forward the strategy for growth and jobs by better focusing learning and training to the needs of employers and the economy.

*Recommendations relating to implementation arrangements and monitoring and evaluation*

6.15. As regards recommendations made in the first section in Chapter 5 on the implementation arrangements, timing has not enabled us to see whether changes have been made. However, WEFO has informed DTZ that they accept the recommendations made and have agreed to implement these.

6.16. The monitoring and evaluation arrangements discussion, which forms part of this section of Chapter 5 on implementation arrangements, reflects comments that were made following earlier drafts of the Consultation Programme. Following WEFO's agreement to formulate a Monitoring and Evaluation Plan, most of the earlier recommendations regarding the monitoring and evaluation arrangements will be addressed within this Plan.

6.17. Recommendations that have been accepted and that will be covered in the Plan (some of which refer to the 'Programmes' i.e. are relevant to both ESF and ERDF) include:

- Measuring soft outcomes requires consideration at an early stage and plans should be set out in greater detail.
- It should be clarified what programme-level evaluation activity is planned between the ex ante evaluation and the ex post evaluation.
- Roles and responsibilities of all bodies involved in monitoring and evaluation should be outlined.
- It should be set out where there are methodological knowledge gaps and where additional research will need to be carried out for effective monitoring and evaluation in the new programming period.
- Specific issues around the monitoring and evaluation of environmental sustainability should be explored in greater detail.

6.18. In addition to implementing recommendations through the Monitoring and Evaluation Plan, WEFO also updated the content of sections of the Consultation/OP documents in response to DTZ comments. For example, the following recommendations led to more detail being added to the Implementation Chapter:

- The function and role of monitoring and evaluation as part of continuous improvement of Programme delivery should be highlighted.

- The Programmes should set out what is meant by on-going evaluations and how it differs from current practice.
- More detail should be provided on plans for programme-level evaluation and how this will be integrated throughout Programme delivery.
- It should be explored how the Cross Cutting Themes will be evaluated at the programme level.

6.19. In this area of recommendations, the following was the only not to be accepted by WEFO:

- It needs to be made clear how the Programmes will impact on the tracking indicators.

6.20. In addition to the indicators and targets set under each Priority and Theme, WEFO had included in the Programme documentation (Strategy chapter) the high level tracking indicators as set out in *Wales: A Vibrant Economy*. Whilst acknowledging that performance against these indicators is dependent on other influences such as macroeconomic trends and global events, these have been included by WEFO in order that the broader trends in the economy are taken into account in any evaluation of the impact of the Convergence Programme in WWV. As noted above, although it was felt by DTZ that a more explicit link between the interventions of the Programme and the tracking indicators was required, WEFO declined to accept this recommendation on the basis that the tracking indicators were intended to be contextual in nature. Rather than risk overstating the effect the Convergence Programme has on these indicators, WEFO will use them mainly to track the economic progress of the Convergence area.

*Changes relating to the Implementation chapter*

6.21. A number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission in mid-December 2006. The revisions as they affect our appraisal of the Implementation Chapter are discussed below.

- 6.22. More detail on functions and roles of each Authority is now provided in the revised OP.
- 6.23. It was previously recommended by DTZ that more detail be included on the interaction of the PMC with the Strategic Frameworks. In this regard the revised OP includes a paragraph explaining that Strategic Frameworks will be developed in partnership – enabling partners to input into the detailed implementation of the Programme. The revised OP also details that the Strategic Framework coordinators will work with existing partnerships to develop the framework documents and monitor progress.
- 6.24. It was previously recommended by DTZ that where the OP sets out the principles for implementation, mainstreaming equality should be mentioned alongside the Lisbon and Gothenburg agendas. It is noted that the OP now states that it should be implemented with an ‘overarching commitment to mainstreaming gender equality and equal opportunities’.
- 6.25. Further, in several areas where WEFO had previously committed to action recommendations the results can be seen in the revised OP. For example, it was recommended that more information on the introduction of the PPIMS system be included in the OP. The revised OP now includes a separate section which provides more information on the introduction of PPIMS.

## 7. CONCLUSIONS AND RECOMMENDATIONS

7.1. This chapter provides a summary of the main conclusions and summarises the extent to which the evaluation has achieved its objectives. In line with the key objectives required of the appraisal this chapter draws conclusions on the main areas appraised namely;

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

*Appraisal of the Labour Market Analysis*

7.2. The Programme began with an analysis of the labour market environment in WWV with a view to identifying the key areas where the Programme's Priorities and Themes should be targeted. As stated in the Labour Market Analysis, the overarching aim of the ESF is to strengthen economic and social cohesion by improving employment opportunities. The extent to which the Programme achieves this depends initially on how well the analysis identifies the areas in which intervention could be most effective. The first draft of this Analysis was submitted to DTZ and comments and recommendations were provided back to WEFO.

7.3. WEFO subsequently provided a second draft to DTZ. DTZ evaluated this draft and found that the vast majority of recommendations had been implemented, which improved the document substantially, with more analysis of the data presented undertaken, a SWOT analysis carried out, and areas such as childcare, migration and demographic issues explored further in the following draft.

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

7.5. It was recommended however, that more use be made of comparative data from the EU(25).

*Appraisal of the Programme rationale and internal consistency*

7.6. This objective was achieved by DTZ through analysis of the Programme strategy chapter and an assessment of the Priorities and Themes that were set out by WEFO as compared to the needs and issues in the WWV area identified in the Analysis. As with other stages in the evaluation, DTZ made a

number of comments and recommendations on the strategy in order to strengthen its rationale and internal consistency. These related to providing more detail on the links between issues that emerged in the Analysis and the Priorities and Themes, and more clearly highlighting how the interventions described would address the labour market failures in the area.

- 7.7. Further recommendations related to the structure of the Priorities and Themes, with the most significant and substantial amendment to the structure of the Programme coming from the introduction of a new Priority that focuses specifically on the market failures surrounding young people and employment.

*Appraisal of the external consistency*

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

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

7.9. Further, the ESF Programme was also assessed in terms of its cohesion with other European funding Programmes such as the Wales ERDF Convergence Programme 2007-2013 and the ERDF and ESF Competitiveness Programmes for Wales and was found to be consistent with the content and direction of these Programmes.

*Appraisal of elements relating to implementation, including monitoring and evaluation*

7.10. As well as appraising the content and rationale of the ESF Programme, it was also important that this ex ante evaluation considered the practical arrangements for implementing the Programme and the arrangements for monitoring and evaluating the progress of the Programme. In this regard, the evaluation looked at a number of elements of the implementation arrangements, from the designation of bodies and procedures for various aspects of implementation such as financial flows, exchange of data monitoring and evaluation and publicity and information.

7.11. DTZ appraised these elements and made several recommendations in this regard. As is highlighted in Chapter 5, WEFO has agreed to these and agreed to implement them, however timing has not allowed us to see or comment upon the extent to which these have been implemented. However, an important aspect of the implementation arrangements – the arrangements for monitoring and evaluation, has changed markedly since the first draft of the Programme document was provided to DTZ. In this regard DTZ had concluded that although general and high level arrangements for monitoring and evaluation had been outlined, these were lacking in detail. A great number of recommendations were made, however the overarching recommendation was that WEFO devise and implement a monitoring and evaluation plan. This was agreed upon by WEFO, and most of the recommendations relating to monitoring and evaluation will be addressed by this plan.

*Indicators and targets*

7.12. As regards the design of indicators and the subsequent target setting process, it has been highlighted that there is still an ongoing discussion between DTZ and WEFO regarding the use of data from the Objective 1 Programme and the methodology that should be employed to make use of this data for formulating targets for the ESF Convergence Programme. It has been concluded that the Objective 1 data is mostly unusable, and DTZ are currently advising WEFO with regard to making more robust the methodology employed by WEFO to set the targets.

*Implementation of recommendations*

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

*Community added value and lessons learned*

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

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

7.15. Lessons Learned from previous programmes have been integrated been throughout the Programme. Those drafting the Programme interacted with the recommendations and conclusions arising from the Lessons Learned at an early stage and as a consequence the Programme embodies, as far as possible within the context of some significant changes from the previous round, the key lessons learned from previous Programmes.

#### *Revisions to the OP*

7.16. As discussed within the relevant chapters above, a number of revisions to the OP provided to DTZ for assessment in early December 2006 were made before it was submitted to the Commission in mid-December 2006.

7.17. Overall, it is DTZ's view that the changes made to the OP compared with the version that was appraised in early December have improved and strengthened the OP. None of the additional text has been found to raise any issues with the evaluators. As noted above, several recommendations made by DTZ that remained outstanding in the evaluation have been implemented in the revised OP.

#### *Conclusions*

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

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**ANNEX B: LESSONS LEARNED**

**ANNEX C: ENVIRONMENTAL REPORT**

- 7.19. West Wales and the Valleys ESF Convergence Programme
- 7.20. As mentioned in the introduction, whilst the ERDF Programme required a full Strategic Environmental Assessment, it was discovered in the screening appraisal that this was not required for the ESF Programme. This Annex provides a statement to this effect from Royal Haskoning who undertook this appraisal as sub-consultants to DTZ.
- 7.21. A screening appraisal was undertaken to ascertain whether a formal SEA was required for the Programme. The screening appraisal was undertaken alongside consultation with the statutory bodies (Countryside Council for Wales, Environment Agency Wales, and Cadw). The screening appraisal used the format from the Scottish Executives screening guidance, and entailed the appraisal of the possible effects of the Programme on other policies, plans and programmes and range of influence, as well as being appraised against the outcomes identified in the Wales Environment Strategy.
- 7.22. Overall, the appraisal identified that the Programme would result in small-scale benefits that could potentially increase cumulatively to cover the region, and in the medium- and long-term lead to increasing environmental awareness and how to approach and tackle environmental issues. This is expected to lead to many unquantifiable indirect benefits to a range of environmental areas, namely: air pollution, climate change and adaptation, water resources and quality, biodiversity, landscape, quality of life, health, and material consumption and the waste hierarchy.
- 7.23. The pathways whereby the Programme could directly and adversely affect the environment are equivocal even in a precautionary appraisal, as well as being low in number.
- 7.24. Therefore, as the only potential adverse impacts are considered to be of low probability and negligible in scale in comparison to existing sectors/processes/activities, it was the opinion of WEFO (and agreed by the statutory bodies) that a full SEA was not required for the Programme.

## ANNEX D DETAILS OF RECOMMENDATIONS

This Annex provides a chapter-by-chapter summary of the recommendations and comments made by DTZ regarding the ESF Convergence Programme 2007-2013. It is structured as follows, with recommendations provided in the following areas:

- Recommendations relating to Chapter 2 – Appraisal of the Analysis;
- Recommendations relating to Chapter 3 – Appraisal of the rationale and internal consistency;
- Recommendations relating to Chapter 4 – Appraisal of the external consistency; and
- Recommendations relating to Chapter 5 – Appraisal of implementation arrangements, including monitoring and evaluation.

### *Recommendations relating to Chapter 2 – Appraisal of the Analysis*

This section of Annex D contains the recommendations that stemmed from the appraisal of the Analysis. It firstly discusses the recommendations from the first draft of the Analysis before considering the extent to which these were implemented by WEFO. The following recommendations resulted from the Appraisal of the first draft of the analysis:

#### *Summary of key recommendations made*

A detailed evidence matrix was submitted, with a line-by-line appraisal of the analysis. The key recommendations were:

- Undertake more analysis of the data presented, using the guidance in Annex 2 of the Draft Working Paper on Ex Ante Evaluation as chapter headings;

- Clearly draw conclusions from the data presented and explore the suggested additional areas (see below);
- Broaden the data to consistently cover West Wales and the Valleys, East Wales, UK and EU(25) as well as historic trends;
- Develop forward-looking analysis in respect of population change, expected demographic changes etc.;
- Complete a SWOT analysis; and
- Include more information on access to employment for everyone, social inclusion and identification of the underlying causes of disparity.

Areas requiring further work were suggested:

- Investigating components of economic inactivity in more detail for females especially, including for example those classifying themselves as wanting to work and/or those economically inactive due to caring responsibilities;
- Many areas in the UK have seen large movements out of the cities. Is Wales different and why?
- Issues facing workless households, especially single parents;
- Investigating childcare – one of the key barriers to work;
- One issue affecting all of Wales is the low number of 25-34 year olds – this is worthy of further investigation;
- Migration could be explored in more detail (e.g. are there flows between WWV and EW?);
- In Figure 11, there is a very worrying trend of worsening of labour market outcomes for ethnic minorities, contrary to general trends which should be explored; and
- In one part of the analysis, health is presented as the key cause of negative labour market outcomes (inactivity) whereas later on skills seems to be the key

one. More analysis needs to be conducted to determine the causes of negative labour market outcomes.

A number of alternative or additional conclusions suggested by the data were also presented. The key conclusions suggested are detailed below:

### Demographics

- The demographic issues identified predominantly affect WWV only rather than EW.

### Labour market outcomes

- There appears to be an argument that Wales has performed worse in terms of inactivity than the rest of the UK (especially when compared to unemployment). However, inactivity has declined, so the argument should be structured around relative rates of change; and
- In relation to skills and qualifications, in how far do low qualifications explain the differential performance of WWV? The text suggest that this is a key cause of disadvantage for a large part of the disadvantaged group but an alternative explanation is that we are seeing an increasing marginalisation of a smaller number of people?

### *Consideration of the extent of implementation of the recommendations made by DTZ*

This section discusses the extent to which recommendations made by DTZ have been incorporated in subsequent drafts of the Analysis.

- Undertake more analysis of the data presented, using the guidance in Annex 2 of the Draft Working Paper on Ex Ante Evaluation as chapter headings.

This was implemented in the second draft of the analysis.

- **Broaden the data to consistently cover West Wales and the Valleys, East Wales, UK and EU(25) as well as historic trends.**

There is more comparison with EU(25) but this is still an area of weakness and should be expanded. More information on historic trends has been provided.

- **Develop forward-looking analysis in respect of population change, expected demographic changes etc.**

The response from EcAD was that forecasts will not be included due to their inherent error and unreliability. DTZ continues to recommend the inclusion of forecast information, as it is considered important in the European guidance and regulations.

- **Complete a SWOT analysis.**

This was done.

- **Include more information on access to employment for everyone, social inclusion and identification of the underlying causes of disparity.**

This area was really enhanced with clear data relevant to social inclusion, disadvantaged individuals and deprivation.

- **Clearly draw conclusions from the data presented and explore the suggested additional areas (outlined below).**

As outlined below, most suggested areas requiring further work have been implemented fully.

Areas requiring further work were suggested:

- Components of economic inactivity, for females especially
- Additional data on the components of economic inactivity has been included.
- Many areas in the UK have seen large movements out of the cities. Is Wales different and why?
- Additional research on the net in- and out-migration patterns has been included, including drawing conclusions for major cities.
- Workless households, especially single parents.
- This area has been explored in the second draft of the analysis.

- Childcare – one of the key barriers to work.
- This area has been explored in the second draft of the analysis.
- Migration could be explored in more detail (e.g. are there flows between WWV and EW?).
- The migration flows into and outwith WWV and EW have been explored in more depth.

Issues which have not been looked at in greater detail are noted below:

- **One issue affecting all of Wales is the low number of 25-34 year olds (which might also be reflected in Figure 4) – this is worthy of further investigation.**

Further investigation was not undertaken but would be useful.

- **In one part of the analysis, health is presented as the key cause of negative labour market outcomes (inactivity) whereas later on skills seems to be the key one.**

This has not really been addressed – it is clear that ill-health is a major factor in economic inactivity and that having no qualifications shows a strong correlation. It is not clear, however, whether the skills issue is a major factor in absolute terms.

A number of alternative or additional conclusions suggested by the data were also presented. The key suggestions were:

#### Demographics

- **The demographic issues identified predominantly affect WWV rather than EW.**

Further text explaining the differences has been included.

Labour market outcomes

- **There appears to be an argument that Wales has performed worse in terms of inactivity than the rest of the UK (especially when compared to unemployment). However, inactivity has declined, so the argument should be structured around relative rates of change.**

Discussion of the relative rates of change has been included in the analysis

- **In Figure 11, there is a very worrying trend of worsening of labour market outcomes for ethnic minorities, contrary to general trends which should be explored.**

Text has been added explaining the small number of individuals involved.

- **In relation to skills and qualifications, are we seeing an increasing marginalisation of a smaller number of unqualified people (i.e. how much do low qualifications explain overall exclusion from the labour market)?**

This has not been addressed.

*Recommendations*

Recommendations to further improve the Labour Market Analysis are:

- Include an additional comparison with EU(25) data;
- Provide absolute figures for numbers of people with no qualifications;
- Link the SWOT analysis more closely with the Labour Market Analysis in relation to increased deprivation seen by BME individuals, the HE sector in Wales and the principal cause of economic inactivity in Wales;
- Include forecast information; and
- Investigate further the statistic showing the low numbers of 25-34 year olds in Wales.

***Recommendations relating to Chapter 3 – Appraisal of rationale and internal consistency***

This section provides the recommendations that relate to the rationale and internal consistency of the ESF Convergence Programme. Those relating to the rationale are provided first with a statement as to WEFO’s response regarding implementation. There is then a discussion of the economic rationale behind intervention, with each reason assessed against each of the three Priorities (as set out in the Consultation Document). This section concludes with a policy risk assessment.

*Rationale*

DTZ has found that, in general, the rationale of the ESF Convergence Programme is well developed and for the most part there is a strong link between the key challenges facing West Wales and the Valleys (WWV), the strategic vision and the key elements of the Programme in terms of Priorities and Themes.

DTZ concluded that there are a number of areas where the link could be strengthened. These are:

- **The underlying link between poverty, worklessness and social exclusion should be explored in more detail to strengthen the overall rationale for intervention.**

This recommendation was accepted by WEFO.

- **The Analysis needs to set out the underlying need for intervention under Priority 3.**

This recommendation was accepted by WEFO.

- **There needs to be an explanation of why the strategic priority of in-migration identified in the Analysis will not be taken forward in the Programme.**

WEFO advised that they would further consider this recommendation, however, it was decided in the end that making Wales a more attractive place to live and work in would indirectly tackle this issue.

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

WEFO advised they would further consider this recommendation.

- **The Programme should make reference to ill health as part of the strategic challenges facing WWV.**

This recommendation was accepted by WEFO.

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

This recommendation was accepted by WEFO.

- **The Programme should highlight how the delivery through Structural Funds will add value and the importance and relevance of the co-financing mechanism.**

This recommendation was accepted by WEFO, however, implementation was outwith the bounds of the OP document.

- **Assess the composition of the unemployed and inactive groups in WWV and consider differentiating between these in the Themes.**

WEFO advised they would further consider this recommendation.

- **If the Theme aiming to help people to remain in work is aimed at supporting those who have recently become economically active to remain active, then this issue needs to be highlighted more explicitly in the Analysis, including an analysis of whether drop-out rates are a specific issue in Wales.**

This recommendation was accepted by WEFO.

- **Gender inequality in terms of pay profile, employment rates, or sectoral concentration should be covered within the Analysis**

WEFO advised they would further consider this recommendation.

- **Greater clarity should be provided about what the Theme of gender inequality in employment is aimed at addressing.**

WEFO advised they would further consider this recommendation.

- **Be more explicit about whether this Theme is aimed at addressing employability or providing increased labour supply in areas of high labour demand.**

WEFO advised they would further consider this recommendation.

- **Clarify whether skills development will be used to increase employability under Priority 1. If this is aimed at reducing the risk of those in employment becoming unemployed or inactive then there may be scope to strengthen this objective in the supporting text.**

This recommendation was accepted by WEFO.

- **Theme 3 of Priority 2 provides the clearest link of the Programme to productivity and economic growth. This link should be highlighted and consideration should be given as to whether this Theme should have a greater emphasis in the new Programme.**

WEFO advised they would further consider this recommendation.

- **The Programme needs to differentiate between skills gap and skills shortage and the Priority should adequately reflect the skills gap identified, for example in relation to different sectors, localities and levels of skills.**

WEFO agreed to further consider this recommendation.

- **Be more explicit about the underlying rationale for all Themes under Priority 2 to show whether they are mainly aimed at addressing employability or skills for the economy.**

This recommendation was accepted by WEFO.

- **Consider the validity of splitting this Priority into the two Themes 1 and 2. If the purpose of collaboration is to increase quality and effectiveness, then capacity to deliver higher quality services should be achieved within this.**

WEFO will further consider this recommendation.

- **Consider the validity of Theme 2 with the context of this specific Programme and whether the ESF intervention provides added value in this policy area.**

WEFO advised they would further consider this recommendation.

- **If a major need has been identified to reallocate resources, a more decisive reallocation might be necessary, depending on the underlying rationale.**

WEFO advised they would further consider this recommendation.

- **The rationale for financial allocations or changes to the allocations should be set out clearly.**

WEFO advised they would further consider this recommendation.

- **A chapter or table detailing the link of the Programme to the Lisbon Strategy would be useful.**

WEFO accepted this recommendation.

- **There should be consideration of whether there is appropriate balance between policies aimed at working age individuals and those aimed at young children (pre working age).**

WEFO advised they would further consider this recommendation.

- **It could be spelled out in greater detail what is achievable in the Programme (noting limitations of scale) and why the specific Priorities have been selected above others.**

WEFO advised they would further consider this recommendation.

- **The link between analysis, policy and Priorities and Themes should be made more explicit.**

WEFO advised they would further consider this recommendation.

- **Consider whether Priority 3 is appropriate for the Programme.**

WEFO considers that this priority is appropriate under the regulation. While DTZ accepts this, it is not clear whether there is a specific identified need for inclusion of Priority 3.

- **It should be considered whether there is scope to include more innovative interventions, with possibly higher risk, but also potential for greater impact.**

WEFO advised they would further consider this recommendation.

*Discussion of the economic rationale for intervention***Table A1 Summary of economic rationale for intervention by Priority/Theme**

Theme	Rationale			
	Public good	Externality	Imperfect information	Redistribution
<b>Priority 1 Increasing employment and tackling economic inactivity</b>				
(a) Helping people into sustainable employment.		4		4
(b) Helping people to remain in work.		4		4
(c) Promoting gender equality in employment.		4		4
<b>Priority 2 Improving skills levels and improving the adaptability of the workforce</b>				
(a) Supply new entrants to the labour market with the skills needed for employment.		4	4	4
(b) Raising the skills base of the workforce and supporting progression in employment		4	4	
(c) Improving systems of workforce development and addressing skills gaps and shortages, and promoting the adaptability of enterprises and workers.		4	4	
<b>Priority 3: Modernise and improve the quality of public services</b>				
(a) Transform service delivery through more collaborative working.		4		
(b) Building the capacity of public service sector to deliver higher quality services.		4		

### Priority 1

Support for Themes 1 and 2 within this Priority is justified on the grounds of the positive externality arising from increased workforce activity, increased GDP and reduced poverty. In addition, if increased activity amongst lower skilled workers fails to contribute substantially to GDP, there remains a strong equity argument in favour of public sector intervention in decreasing worklessness and increasing healthier lifestyles in WWV as a tool for reducing poverty and inequality.

### Priority 2

The focus of this Priority is to raise the skills level of those in the labour market and those about to enter the labour market. The rationale for public sector intervention across this Priority is explained by the positive externality gained by society from the consumption of a good (skills development).

There are two key reasons why intervention can be justified. Firstly, the problem of information failure where individuals underestimate the benefits gained from enhanced skills attainment and under-consume. Secondly, education and the development of skills is regarded as a merit good, where the positive benefits to society (through higher productivity/GVA) are greater than the benefits to an individual. Therefore, if left to the market, a sub-optimal level of education would be attained. The low skills profile in WWV illustrates that intervention is required to enhance the skills attainment in WWV. Activity designed to prevent individuals from entering unemployment or inactivity is also valid on equity grounds. This mismatch in skills supplied and the skills demanded by employers also provides justification for intervention on the basis of social benefits to society from a closer alignment in skills supplied and demanded.

### Priority 3

There is an externality argument in support of Theme 1 and 2, where the benefits to society are increased from a more efficient, effective, coherent and responsive public sector. However, whether there is a specific need to improve public service in WWV, beyond the national level, is unclear.

### *Summary*

Overall there is justification for intervention, although the appropriateness of Priority 3 within the Programme is unclear.

### *Policy risk assessment*

The Commission noted that the Analysis should cover the policy risk involved in the choice of Priorities<sup>4</sup>. Arising from a concern that Structural Funds interventions were becoming increasingly risk-averse, this aims to explore the balance between more standard interventions which are 'easier' to implement and those which are inherently more risky but might have a bigger impact. In this context, risk is interpreted as the risk of delivering the outcomes, i.e. whether the intervention works. The impact of the policy are the outcomes if

the policy delivers, i.e. the outcomes, if the policy has worked on the overarching objectives of the Convergence Programme in terms of jobs and growth. As an example, finding the cure for cancer has high policy risk (as the research only has a small likelihood of succeeding) but a very high impact if successful.

The strategy chapter does not provide enough detail on activities to make a comprehensive assessment of policy risk possible. Within each Priority it would be possible to support activities with varying degrees of risk and innovation. Table A2 contains a headline risk assessment of each Priority and Theme. This indicates the potential scale of policy risk alongside potential impacts of the associated intervention.

Table A2 Policy risk assessment

Theme	Potential risk	Potential impact	Notes
Priority 1 Increasing employment and tackling economic inactivity			
1 Helping people into sustainable employment.	M	H	Increasing difficulty to get those farthest away from the labour market into employment Well established intervention path.
2 Helping people to remain in work.	M-L	M	Difficulty of identifying appropriate target group Well established intervention path.
3 Promoting gender equality in employment.	H	M	Limited evidence of successful interventions (sectoral or in terms of career progression)
Priority 2 Improving skills Levels and improving the adaptability of the workforce			
1 Supply new entrants to the labour market with the skills needed for employment.	M	H	Higher risk where target is to stimulate behavioural change. Well-established intervention path

<sup>4</sup> European Commission Draft Working Paper on Ex Ante Evaluation, October 2005, p. 9

Theme	Potential risk	Potential impact	Notes
2 Raising the skills base of the workforce and supporting progression in employment	L	M	Well-established intervention path
3 Improving systems of workforce development and addressing skills gaps and shortages, and promoting the adaptability of enterprises and workers.	M	H	Potential to impact positively on employers and employees Well-established intervention path
Priority 3: Modernise and improve the quality of public services			
1 Transform service delivery through more collaborative working.	H	M	Limited evidence of successful interventions to establish joint working
2 Building the capacity of public service sector to deliver higher quality services.	M	M	May be costly to implement Well established intervention path.

*Chapter 3 (continued) – Recommendations relating to internal consistency*

- **It should be clarified what is included under the gender equality Theme, and ensure that it is not a duplication of Priority 1, Theme 1.**

WEFO advised they would further consider this recommendation.

- **Consider the appropriateness of Priority 3, Theme 2 in the Programme.**

WEFO considers that this Theme is appropriate under the regulation. While DTZ accepts this, it is not clear whether Theme 2 in Priority 3 fits well with the broad objectives of the remaining Programme.

***Recommendations relating to Chapter 4 – Consistency of the ESF Programme with other Welsh, UK and EU strategies and policies***

*Overview*

This section provides the recommendations that relate to the external consistency of the ESF Convergence Programme, including other Welsh, UK and EU strategies as well as the Wales ERDF Convergence Programme.

*Summary and recommendations – Consistency with EU policies*

For the most part, Programme is consistent with European policies and strategies.

Programme design of the Programme should be strengthened in the following areas to be fully consistent with European strategies and policies:

- **The rationale for excluding Themes mentioned in the regulations should be detailed in the Programme documents.**

**WEFO agreed to further consider this recommendation.**

- **More detail should be included on how equal opportunities can be integrated in the day-to-day implementation of the Programme.**

**WEFO agreed to implement this recommendation.**

- **It should be made clear how the Programme will contribute to environmental sustainability objectives.**

7.25. This recommendation was accepted by WEFO.

- **It should be noted that modernisation of social protection systems is not part of the Programme as this is outwith the scope of the Programme in Wales as the responsibility for the design of the social protection system lies with the UK government.**

This recommendation was accepted by WEFO.

*Recommendations Relating to UK Policies*

- **Consider whether promoting work life balance and providing incentives to encourage participation should be considered in the strategy.**

WEFO advised they would further consider this recommendation.

- **Consider whether affordable childcare should be explicitly referenced in Priority 1, Theme 1.**

WEFO advised that they would implement this recommendation.

*Recommendations Relating to Consistency with Other Welsh Policies*

- **It should be considered whether lifelong learning can be promoted across all population groups.**

WEFO declined to implement this recommendation.

- **Consider whether there is a need to reference working with employers and trade unions to improve workforce skills as well as the suitability of qualifications and learning provisions in the Programme.**

WEFO advised they would further consider this recommendation.

Recommendation: Consider whether the Programme should alter the focus of intervention to tackle/prevent future unemployment and inactivity, by specifically focus on young children.<sup>5</sup>

Recommendation: Consider whether the role of the community in enhancing/fostering social capital should be included in Programme.<sup>6</sup>

Recommendation: Spatial targeting should be explored in greater detail in

<sup>5</sup> This recommendation was accepted by WEFO.

<sup>6</sup> WEFO will further consider this recommendation.

the programme, setting out the key elements of relevance from the Wales Spatial Plan.<sup>7</sup>

Recommendation: In the Convergence Programmes, there should be consideration of whether there are specific areas of intervention, for example in the field of HE/FE cooperation or in the area of environmental management, where territorial cooperation should form an essential part of the interventions<sup>8</sup>.

*Complementarity between the ERDF and ESF Convergence Programmes*

Table A3 Complementarity between the ERDF and ESF Convergence Programmes

ERDF Priority	ESF Priority	Nature of complementarity	Strength
1	1	Growth (ERDF) will stimulate employment (ESF). Similarly, increasing labour supply will ensure that growth is not constrained by the labour market. However, most of the growth will be at the higher skills end (innovation, R&D etc.) whereas the labour market measures will focus on those excluded from the labour market.	M
	2	Higher value-added growth (ERDF) will stimulate demand for skills (ESF). Similarly, a higher supply of skills will reduce skills gaps and shortages. Key will be to ensure that the skills meet business requirements. It will also be important to note when the main objective of a skills intervention is focused on enhancing employability of excluded groups which will have more limited complementarity with ERDF Priority 1.	M-H
	3	If the key objective of ESF Priority 3 is to enhance administrative capacity in relation to enabling and supporting private sector development, this could have a very major effect on ERDF Priority 1. If the main focus is more efficient internal public sector mechanisms, there will be limited impact.	?

<sup>7</sup> WEFO will further consider this recommendation.

<sup>8</sup> WEFO agreed to implement this recommendation.

ERDF Priority	ESF Priority	Nature of complementarity	Strength
2	1	There will be additional demand for employment from the ERDF interventions, particularly in the construction and related sectors. Increased employment will also increase demand on the economic infrastructure.	M
	2	More economic infrastructure will require particular skills, particularly in areas such as construction and related sectors, for example engineering.	L-M
	3	If the key objective of ESF Priority 3 is to enhance administrative capacity in relation to enabling and supporting private sector development in particular sectors, this could have a very major effect on ERDF Priority 2. If the main focus is more efficient internal public sector mechanisms, there will be limited impact unless it is focused in areas directly related to ERDF Priority One such as planning.	?
3	1	Employment and moving people from economic inactivity into employment is a key part of developing disadvantaged communities. Worklessness is the biggest cause of poverty and increasing employment.	H
	2	Skills development can be an important part of economic development if it enables individuals to participate in the labour market or to access higher value-added jobs.	L-M
	3	There appears to be no direct link between administrative capacity and sustainable communities.	-

The key complementarities are between Priority 1 (ERDF) and Priority 2 (ESF) (and to a lesser extent ESF Priority 1), and between Priority 3 (ERDF) and Priority 1 (ESF). One key issue to consider is in how far Priority 2 is aimed at improving skills driven by employer demand or whether the focus is on equipping those outside the labour market with additional skills which would have a much more limited effect on growth.

### *Summary of recommendations from Chapter 5 – Appraisal of implementation arrangements*

This section of Annex D provides the recommendations that were made in relation to implementation arrangements, which includes arrangements for monitoring and evaluation, before latterly discussing in more detail the specific recommendations that relate specifically to monitoring and evaluation.

The recommendations made in this regard are as follows.

#### High level recommendations

- The rationale for introducing changes such as the new electronic Knowledge Management system and the Strategic Frameworks should be explored in greater detail.
- The risks involved in the introduction of new implementation arrangements, as well as associated risk mitigation or management, should be considered alongside the benefits of any changes.
- A high level risk register should be included in the Implementation Chapter.

#### Designation of Authorities

- There should be an explanation of the underlying objectives and potential limitations of functional separation within WEFO.
- The importance of IAS verifying the audit trail and ensuring compliant record keeping should be highlighted.

#### Partnership

- More detail on how voluntary and community bodies will be encouraged to participate is required.
- More detail on how the PMC will be constituted is required.

- The interaction of the PMC with the Strategic Frameworks should be explored, for example in relation to project selection criteria.
- More detail is required on what criteria will drive project selection.

#### Implementation

- Mainstreaming equality has to be highlighted alongside Lisbon and Gothenburg.
- The term ‘deeper interventions’ needs to be explained.
- The role of the Wales Spatial Plan in implementation needs to be refined and explained in more detail.
- More detail on Strategic Frameworks would be helpful.
- A separate detailed section on PPIMS would be helpful.
- The conditions for payment in advance or by ‘need’ have to be specified in more detail.

#### Monitoring and evaluation

- More detail on the role of regular monitoring and evaluation in reporting progress to the wider stakeholders in Wales would be helpful.
- A draft outline of the Monitoring and Evaluation Plan should be included in the OP.
- More detail on how evaluation capacity will be built up in this funding period would be helpful.

**Table A4 Recommendations and assessment of actions taken in response**

<u>Recommendation</u>		<u>Assessment of action taken in response</u>
<b>Recommendations relating to a monitoring and evaluation strategy (evaluation plan)</b>		
It would be helpful to have the detailed monitoring and evaluation provisions in one place and only to have brief summaries (with a cross-reference) whenever required;		Accept. WEFO will develop a Monitoring and Evaluation Plan which will be in place before the Programme starts. WEFO decided to use the term “Monitoring and Evaluation Plan” rather than “Evaluation Plan” as it is believed that there is great value in acknowledging the strong links between monitoring and evaluation.
The function and role of monitoring and evaluation as part of continuous improvement of Programme delivery should be highlighted.		Accepted. Monitoring and Evaluation Plan will is being developed and will be in place before the Programme starts.
The Programmes should set out what is meant by on-going evaluations and how it differs from current practice.		More detail has been added to the Implementation chapter but this will be explored further in the Monitoring and Evaluation Plan.
It should be made clearer what the key components of monitoring and evaluation are in the new programming period.		WEFO have adopted the components suggested by DTZ and set these out in the Strategy chapter. These will be explored further in the Monitoring and Evaluation Plan (the Plan).

<b><u>Recommendation</u></b>	<b><u>Assessment of action taken in response</u></b>
<p>More detail should be provided on plans for programme-level evaluation and how this will be integrated throughout Programme delivery.</p>	
<p>It should be clarified what programme level evaluation activity is planned in between the ex ante and the ex post evaluation.</p>	
<p>It should be explored how the Cross Cutting Themes will be evaluated at a programme level.</p>	
<p>Measuring soft outcomes requires consideration at an early stage and plans should be set out in greater detail.</p>	<p>This will be explored in the Plan.</p>
<p>Roles and responsibilities of all bodies involved in monitoring and evaluation should be outlined.</p>	<p>Addressed for the PMC. Wider bodies/stakeholders should also be considered. Will be explored further in the Plan.</p>
<p><b>Recommendations relating to project-level monitoring</b></p>	

<b><u>Recommendation</u></b>	<b><u>Assessment of action taken in response</u></b>
Sufficient resources for project level evaluations should be identified and set aside at the outset of the Programmes.	Available within Themes (will not be set aside as separate funds; however, projects will be required to undertake appropriate evaluations, and this will be an eligible cost).
Detailed guidance on project-level evaluation (including processes and approaches) should be provided to the project applicants at the outset.	This has been accepted and the existing project-level monitoring and evaluation guidance is currently being expanded.
It should be noted how the Cross Cutting Themes will need to be considered within Project-level evaluations.	Will be covered in project evaluation guidance which will be expanded to address this.
It needs to be clarified whether all projects need to carry out evaluations or only those above a certain threshold.	Addressed. All projects need to carry out evaluations; external evaluations are required for higher-grant, higher risk, innovative or pilot projects. This has been stated in the Implementation Chapter.
<b>Recommendations relating to indicators</b>	

<u>Recommendation</u>	<u>Assessment of action taken in response</u>
<p>It needs to be made clear how the Programmes will impact on the tracking indicators.</p>	<p>WEFO responded that the tracking indicators are necessarily contextual because other, external factors will affect their performance as well as the Programme. Directly linking interventions with tracking indicators may overstate the effect the Programme could have on these indicators.</p>
<p>Given the scale of the ESF Convergence Programme, it should be clarified whether it is realistic to expect that it will impact on the high level tracking indicators.</p>	<p>As noted above, the tracking indicators are contextual. The purpose of tracking indicators has been made clearer.</p>
<p>It should be considered whether a simpler monitoring framework with fewer indicators might improve monitoring.</p>	<p>The indicators have been subject to considerable revision since publication of the Consultation Document. Attempts have been made to simplify the framework and to make the link between output, result and impact indicators and Priority/theme level objectives and activities.</p>
<p><b>Recommendations relating to evaluation capacity and knowledge gaps</b></p>	

<u>Recommendation</u>		<u>Assessment of action taken in response</u>
There needs to be consideration of how WEFO can ensure the required evaluation capacity is available in the evaluation community to carry out the Project and Programme level evaluations.		Accepted. WEFO will consider further.
It should be set out where there are methodological knowledge gaps and where additional research will need to be carried out for effective monitoring and evaluation in the new programming period.		WEFO will explore this in the Plan and expand the existing project-level monitoring and evaluation guidance.
m		WEFO will explore this in the Plan and expand the existing project-level monitoring and evaluation guidance.

### Publicity and Communication

- There is scope to use communication activity more pro-actively and positively to highlight the added value from Structural Funds for Wales.

*Chapter 5 – Continued: Details of earlier appraisal of the monitoring and evaluation arrangements*

What follows is an earlier document of the monitoring and evaluation arrangements contained within the Consultation stages. The subsequent adoption by WEFO of the recommendation to introduce a Monitoring and Evaluation Plan in effect addresses most of the recommendations made at this earlier stage. However, in order to document fully the ongoing process that led to the monitoring and evaluation arrangements contained within the OP, the details are provided here.

*Monitoring and evaluation*

Section overview

Overall, the Consultation Document sets out a very broad overview of what will be required in terms of monitoring and evaluation. The key elements of a robust and comprehensive monitoring and evaluation framework are contained within the Consultation Document but many elements are not explored in detail. Our key recommendation is that the monitoring and evaluation provisions for the new programming period should be set out in greater detail. We would suggest that a **monitoring and evaluation strategy (or evaluation plan)** would be an appropriate way of doing this.

Such a plan will also address many of the specific recommendations set out in this document. Specific recommendations which are likely to be clarified by such a Strategy are:

- It would be helpful to have the detailed monitoring and evaluation provisions in one place and only to have brief summaries (with a cross-reference) whenever required;
- The function and role of monitoring and evaluation as part of continuous improvement of Programme delivery should be highlighted.

- The Programmes should set out what is meant by on-going evaluations and how it differs from current practice.
- It should be made clearer what the key components of monitoring and evaluation are in the new programming period.
- More detail should be provided on plans for programme-level evaluation and how this will be integrated throughout Programme delivery.
- It should be clarified what programme level evaluation activity is planned in between the ex ante and the ex post evaluation.
- It should be explored how the Cross Cutting Themes will be evaluated at a programme level.
- Measuring soft outcomes requires consideration at an early stage and plans should be set out in greater detail.
- Roles and responsibilities of all bodies involved in monitoring and evaluation should be outlined.

There are also a range of recommendations which relate to project level evaluation:

- Sufficient resources for project level evaluations should be identified and set aside at the outset of the Programmes.
- Detailed guidance on project-level evaluation (including processes and approaches) should be provided to the project applicants at the outset.
- It should be noted how the Cross Cutting Themes will need to be considered within Project-level evaluations.
- It needs to be clarified whether all projects need to carry out evaluations or only those above a certain threshold.

There are also some specific recommendations relating to indicators:

- It needs to be made clear how the Programmes will impact on the tracking indicators.
- Given the scale of the Convergence Programme, it should be clarified whether it is realistic to expect that it will impact on the high level tracking indicators.
- It should be considered whether a simpler monitoring framework with fewer indicators might improve monitoring.

Finally, the following recommendations relate to evaluation capacity and knowledge gaps:

- There needs to be consideration of how WEFO can ensure the required evaluation capacity is available in the evaluation community to carry out the Project and Programme level evaluations.
- It should be set out where there are methodological knowledge gaps and where additional research will need to be carried out for effective monitoring and evaluation in the new programming period.
- Specific issues around the monitoring and evaluation of environmental sustainability should be explored in greater detail.

This section of Chapter 5 contains the following draft component of the appraisal of implementation as part of the ex-ante evaluation for the ERDF and ESF Convergence Programmes:

At this stage (10 October 2006), no further detail is available on implementation arrangements which could be appraised as part of the ex ante evaluation.

Further details of the above task are contained within the following section.

In appraising the Programme rationale, the task of the evaluator, as set out within the specification for the Ex Ante Evaluation, is to assess the implementing provisions proposed for monitoring and evaluating the programme.

The key guidance document for monitoring and evaluation of the new programmes is the Commission’s Working Paper “Evaluation during the programming period: on-going evaluation”<sup>9</sup>. In addition, there is also a specific working paper on indicators and targets<sup>10</sup>. The Commission will also produce additional guidance on the requirements for ex post evaluation.

#### Overview – monitoring and evaluation

The Consultation Document<sup>11</sup> contains provisions for monitoring and evaluation in paragraphs 2.68 to 2.77 as part of the Strategy chapter (p. 41 to 44) and 5.40 to 5.47 as part of the Implementation chapter (p. 134-135). In addition, there is a reference to monitoring and evaluation for Equal Opportunities (paragraph 4.53), referenced again for environmental sustainability (paragraph 4.98).

Recommendation: It would be helpful to have the detailed monitoring and evaluation provisions in one place and only to have brief summaries (with a cross-reference) whenever required.

The key elements of a robust and comprehensive monitoring and evaluation framework are contained within the Consultation Document. However, the information on monitoring and evaluation is at a very high level with many elements not explored in detail.

One way of developing a more specific framework is to first establish an overarching monitoring and evaluation strategy (Article 46 of the Draft Working Paper refers to an ‘Evaluation Plan’) at the outset of the programme to ensure consistency and coherence. Such a strategy should remain flexible throughout the programming period but would be a useful framework. It should contain (with further guidance available in the WP):

- Guidance on what monitoring and evaluation is required by projects (e.g. indicators) and broad guidelines on how to do this

<sup>9</sup> [http://ec.europa.eu/regional\\_policy/sources/docoffic/working/doc/exante\\_sf2007-2013\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/exante_sf2007-2013_en.pdf)

<sup>10</sup> [http://ec.europa.eu/regional\\_policy/sources/docoffic/working/doc/indic\\_sf2007-2013\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/indic_sf2007-2013_en.pdf)

<sup>11</sup> <http://www.wefo.wales.gov.uk/resource/Conv-Consultation-e4718.pdf>

- What indicators will be used to track overall progress and how closely they are linked to the programme
- What resources/capacity will be required to carry out the monitoring and evaluation (internal and external)
- Indicative timelines
- Responsibilities (WEFO, partners)
- Links to relevant guidance
- How the findings of the ex post evaluation of the last programme might be integrated into the current programme
- How findings of evaluations will be integrated into programme delivery and programme revisions if required
- How monitoring activity will be used to trigger evaluations (departure from initial goals)
- Key overarching evaluations (with timescales) for example:
- Annual reports
- MTE/UMTE or other mechanisms which will be used to judge progress to adjust the current programme and in preparation for the next programming period (NB – the working paper on measuring additionality stipulates that the MTE will take place in 2011 for the Convergence programme but this is not a requirement in the WP on ongoing evaluation)
- Thematic evaluations (e.g. contribution to environmental sustainability, equal opportunities, Lisbon)
- Meta-evaluations (by strategic framework or Theme)
- Potential performance-related/process evaluations
- Ex post

Recommendation: The monitoring and evaluation provisions for the new programming period should be set out in greater detail. We would suggest that a monitoring and evaluation strategy (or evaluation plan) would be an appropriate way of doing this.

*Monitoring and evaluation in the Strategy chapter*

The strong emphasis on high quality and robust evaluation is very welcome. It would be worth strengthening this by detailing how monitoring and evaluation will be used within Programme delivery to improve the impact of the Programmes.

Recommendation: The function and role of monitoring and evaluation as part of continuous improvement of Programme delivery should be highlighted.

The chapter emphasises two mechanisms by which the Programmes will be monitored and evaluated – 1) high level tracking indicators and 2) objective setting and evaluation of individual programmes. The second heading seems to cover a wide range of activity. It would be helpful to separate out the different tasks. The evaluators would suggest, as broad headings, the following components:

- Tracking indicators;
- Monitoring (Indicators and Targets);
- Programme-level evaluation (ex ante, on-going and ex post); and
- Project/Strategic Framework-level evaluation.

Recommendation: It should be made clearer what the key components of monitoring and evaluation are in the new programming period.

The tracking indicators are very high level. It should be made clear how these indicators link into the interventions which will be delivered by the Programmes.

Recommendation: It needs to be made clear how the Programmes will impact on the tracking indicators.

The ERDF Convergence Programme is of a sufficient enough scale to impact on some of these high level indicators. It is, however, difficult to see how the ESF Convergence Programme will impact at such a high level.

Recommendation: Given the scale of the ESF Convergence Programme, it should be clarified whether it is realistic to expect that it will impact on the high level tracking indicators.

In terms of the monitoring indicators and targets, more consideration is needed as to whether a more simplified framework would improve monitoring.

Recommendation: It should be considered whether a simpler monitoring framework with fewer indicators might improve monitoring.

The text notes that the Welsh Assembly Government will make sufficient resources available to carry out Programme-level evaluations as required by EU legislation. More detail would be helpful to explore what Programme-level evaluation activity is planned and how it will be integrated in Programme delivery.

Recommendation: More detail should be provided on plans for programme-level evaluation and how this will be integrated throughout Programme delivery.

The emphasis on project-level evaluation, alongside guidance and support at the project outset, is welcome and will assist in continuously improving programme delivery. Care should be taken to adequately resource such evaluation activity while at the same time ensuring that projects have sufficient internal capacity to carry out these requirements. In general, as a rule of thumb, about 1-3% of project value needs to be set aside at the outset for external evaluation (depending on size of project and degree of primary research necessary).

Recommendation: Sufficient resources for project level evaluations should

be identified and set aside at the outset of the Programmes.

To help the projects in commissioning these evaluations, it will be important to establish guidance on the commissioning process (timing, tasks, suggested resources, etc.) as well as outlining content of aims and objectives of evaluations. It might be best to provide guidance for each framework area, as they will share common evaluation Themes.

Recommendation: Detailed guidance on project-level evaluation (including processes and approaches) should be provided to the project applicants at the outset.

It is crucial to consider early on how such evaluation activity can be supported by WEFO and the evaluation community to ensure there is sufficient capacity to carry out these requirements. It might be worth establishing a single evaluation portal with all the guidance which could also be used to post contacts, invitations to tender, guidance etc. There is also the possibility (noted in the WP on ongoing evaluation) to scope overall evaluation requirements at the outset and establish framework/call down contracts for certain tasks.

Recommendation: There needs to be consideration of how WEFO can ensure the required evaluation capacity is available in the evaluation community to carry out the Project and Programme level evaluations.

The text sets out requirements for the ex ante evaluation (being carried out in 2006) and the ex post evaluation (2015). Consideration should be given on what Programme-level evaluation activity is appropriate in the interim 9-year period. This includes for example evaluations relating to Strategic and Operational Functions, thematic evaluations, meta-evaluations etc.

Recommendation: It should be clarified what programme level evaluation activity is planned in between the ex ante and the ex post evaluation.

*Monitoring and evaluation of Cross Cutting Themes*

The Consultation Document sets out how Equal Opportunities will be monitored and evaluated, mentioning the welcome involvement of specialist advisors in the project development phase. While there is sufficient detail on monitoring, there is no specific reference to programme-level evaluation, either as part of overarching evaluations or as specific thematic evaluations.

Recommendation: It should be explored how the Cross Cutting Themes will be evaluated at a programme level.

It is also not detailed in how far it will be expected from Project level evaluations that impacts on the CCTs need to be taken into account.

Recommendation: It should be noted how the Cross Cutting Themes will need to be considered within Project-level evaluations.

The document refers to the development of ways of measuring soft outcomes. This is a complex area and lessons learned from previous programmes suggest that systems need to be in place early on to ensure consistency and a sound methodological approach.

Recommendation: Measuring soft outcomes requires consideration at an early stage and plans should be set out in greater detail.

In general, where there are uncertainties in relation to methodological approaches, indicators and targets or any other aspects of monitoring and evaluation, additional research (internal or external) to address these issues should be carried out.

Recommendation: It should be set out where there are methodological knowledge gaps and where additional research will need to be carried out for effective monitoring and evaluation in the new programming period.

On environmental sustainability, the document refers back to monitoring and evaluation of Equal Opportunities. However, there is no specific consideration of differences between these policy areas, for example difficulties in measuring environmental effects of the Programmes consistently (as the impact is often indirect), the role of the 'green sector' and the requirements for monitoring environmental impacts set out in the SEA.

Recommendation: Specific issues around the monitoring and evaluation of environmental sustainability should be explored in greater detail.

*Monitoring and evaluation in the Implementation chapter*

There is some detail on the role of an Evaluation Advisory Group, as well as reference to the roles of WEFO and the PMC in monitoring and evaluation. However, a much wider exploration of roles and responsibilities, including those of delivery partners, projects and external evaluators is necessary to ensure clarity of who does what.

Recommendation: Roles and responsibilities of all bodies involved in monitoring and evaluation should be outlined.

There is a reference here to a shorter, more focused indicator framework but it is unclear how this has been translated into practice. This will also impact on the target setting. As recognised in the Consultation Document, targets will have to be specified for the OP.

The text refers to on-going evaluation but without exploring what this will entail. The subsequent sentence on strategic and operational level evaluations is not clear.

Recommendation: The Programmes should set out what is meant by on-going evaluations and how it differs from current practice.

There is more detail here on what is required in terms of project-level evaluation but the comment above (requiring more detail on capacity and resources required of projects and evaluators) still applies. It would also be helpful if it is outlined how TA will be used to support monitoring and evaluation.

The text refers to all projects carrying out evaluation and not just those above a certain threshold (as noted in the Strategy chapter).

Recommendation: It needs to be clarified whether all projects need to carry out evaluations or only those above a certain threshold.

### *Summary and recommendations – Monitoring and evaluation*

Overall, the Consultation Document sets out a very broad overview of what will be required in terms of monitoring and evaluation. The key elements of a robust and comprehensive monitoring and evaluation framework are contained within the Consultation Document but many elements are not explored in detail. Our key recommendation is that the monitoring and evaluation provisions for the new programming period should be set out in greater detail. We would suggest that a **monitoring and evaluation strategy (or evaluation plan)** would be an appropriate way of doing this.

Such an Evaluation plan will also address many of the specific recommendations set out in this document. Specific recommendations which are likely to be clarified by such a Strategy are:

- It would be helpful to have the detailed monitoring and evaluation provisions in one place and only to have brief summaries (with a cross-reference) whenever required;
- The function and role of monitoring and evaluation as part of continuous improvement of Programme delivery should be highlighted.
- The Programmes should set out what is meant by on-going evaluations and how it differs from current practice.
- It should be made clearer what the key components of monitoring and evaluation are in the new programming period.
- More detail should be provided on plans for programme-level evaluation and how this will be integrated throughout Programme delivery.
- It should be clarified what programme level evaluation activity is planned in between the ex ante and the ex post evaluation.
- It should be explored how the Cross Cutting Themes will be evaluated at a programme level.
- Measuring soft outcomes requires consideration at an early stage and plans should be set out in greater detail.
- Roles and responsibilities of all bodies involved in monitoring and evaluation should be outlined.

There are also a range of recommendations which relate to project level evaluation:

- Sufficient resources for project level evaluations should be identified and set aside at the outset of the Programmes.
- Detailed guidance on project-level evaluation (including processes and approaches) should be provided to the project applicants at the outset.
- It should be noted how the Cross Cutting Themes will need to be considered within Project-level evaluations.
- It needs to be clarified whether all projects need to carry out evaluations or only those above a certain threshold.

There are also some specific recommendations relating to indicators:

- It needs to be made clear how the Programmes will impact on the tracking indicators.
- Given the scale of the ESF Convergence Programme, it should be clarified whether it is realistic to expect that it will impact on the high level tracking indicators.
- It should be considered whether a simpler monitoring framework with fewer indicators might improve monitoring.

Finally, the following recommendations relate to evaluation capacity and knowledge gaps:

- There needs to be consideration of how WEFO can ensure the required evaluation capacity is available in the evaluation community to carry out the Project and Programme level evaluations.
- It should be set out where there are methodological knowledge gaps and where additional research will need to be carried out for effective monitoring and evaluation in the new programming period.

Specific issues around the monitoring and evaluation of environmental sustainability should be explored in greater detail.

## **ANNEX D – EQUAL OPPORTUNITIES ANALYSIS AND EQUALITY MATRIX**

### **SUMMARY OF EQUAL OPPORTUNITIES ANALYSIS STRUCTURAL FUNDS PROGRAMMES 2007-2013**

It is crucial that the benefits of the Convergence programmes are spread equitably to the people and communities within the region. Raising the levels of educational attainment, skills and innovation in West Wales & the Valleys will be critical to securing a successful and vibrant economy where there are high levels of economic activity with good quality sustainable jobs.

Tackling the high levels of economic inactivity in the region by enabling those who face barriers (often multiple) to access employment, and supporting those who are alienated from the employment culture to benefit from the opportunities the Convergence programme affords, will enhance the lives of individuals, families and communities.

Ensuring people have lifelong contact with the labour market and develop the skills to progress, developing strategies to tackle the gender pay gap and occupational segregation, and increasing the numbers of entrepreneurs especially women and working with employers to develop structures and policies that enhance the work environment for all, are key actions.

#### *(a) Employment*

While significant progress has been made in West Wales & the Valleys in recent years, the employment rate remains below that for Wales as a whole. As explained in Chapter 2 - Analysis, this relatively low employment rate is explained by continuing economic inactivity rather than by unemployment. Extensive research in the area of inactivity has led to an emerging consensus that a significant proportion of those with self-reported, work-limiting health conditions, including people on incapacity benefits, could, with the right support, play a more active role in the labour market<sup>1</sup>.

The employment rate for older workers remains below the Lisbon target of 50%. Over 38% of individuals in the 50/59 to 64 age bracket are economically inactive. Disadvantage earlier in life, increases the likelihood of serious disadvantage in old age. Likewise, discrimination is compounded by the added dimension of ageing. Changing the attitudes of employers towards older workers, along with a promotion of flexible working arrangements are key actions. There is also the need to focus on up-skilling and re-skilling if we are to see wider choices and options available to workers over 55 years of age.

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<sup>1</sup> Welsh Assembly Government, Sixth Annual Equality of Opportunity Report 2004–2005: <http://www.wales.gov.uk/assemblydata/N000000000000000000000000000040106.pdf>

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

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

While care needs to be taken when interpreting the figures for the Black and minority ethnic population, due to the sample size, there has been an increase in the numbers of people from a BME background registering as unemployed since 2001.. Recent evidence investigating the differences in labour market outcomes of BME individuals in England and Wales and the reasons for these differences, suggests that a contributing factor could be, as BME individuals tend to live in disadvantaged areas they pay a labour market penalty. BME individuals also have lower educational attainment than non-BME individuals, although the proportion of BME people without any formal qualifications in West Wales and the Valleys is lower than for the rest of Wales, likewise the proportion of BME people with level 4 and above qualifications is higher in West Wales and the Valleys.

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



*(b) Gender Equality for Women and Men*

The European Commission Roadmap for equality between women and men 2006–2010 outlines six priority areas for EU on action on gender equality along with priority objectives and actions<sup>6</sup>. The Roadmap builds on the experience of the Framework Strategy for Equality between Women and Men for the period 2001–2005<sup>7</sup>. It combines the launch of new actions and the reinforcement of successful existing activities. It reaffirms the dual approach of gender equality based on gender mainstreaming (the promotion of gender equality in all policy areas and activities) and specific measures.

Whereas significant progress has been made towards gender equality, with many women attaining the highest levels in education, the labour market and becoming important players in public life, inequalities still remain and may widen, as increased global economic competition requires a more flexible and mobile labour force. This can impact more on women, who are often obliged to balance the demands of having children or a career, due to a lack of flexible working arrangements and care services, the persistence of gender stereotyping and an unequal share of family responsibilities. Progress made by women, including in key areas of the Lisbon Strategy such as education, and research, are not fully reflected in women's return to work<sup>8</sup>.

The Lisbon targets call for a 60% employment rate for women by 2010. In West Wales and the Valleys the female employment rate has increased for each age bracket, with the rise particularly pronounced for those aged 35–59. This compares to a fall in employment rates of prime working age males across West Wales and the Valleys of some 1.1% between 2001 and 2004 compared to an increase of 1.4% for females.

Despite the UK having had legislation on equal pay since 1970, women in the UK earn on average 19% (full-time pay) less than men<sup>9</sup>.

**Table 32 - Female hourly earnings excluding overtime as a percentage of male hourly earnings**

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

<sup>6</sup> The European Commission's Roadmap for equality between men and women: [http://www.europa.eu.int/comm/employment\\_social/news/2006/mar/com06092\\_roadmap-en-pdf](http://www.europa.eu.int/comm/employment_social/news/2006/mar/com06092_roadmap-en-pdf)

<sup>7</sup> Framework Strategy for equality between women and men 2001–2005: [http://www.ec.europa.eu/int/comm/employment\\_social/gender-equality/index-en.html](http://www.ec.europa.eu/int/comm/employment_social/gender-equality/index-en.html)

<sup>8</sup> The European Commission Roadmap for equality between men and women.

<sup>9</sup> Equal Opportunities Commission: <http://www.eoc.org.uk/pdf/wmpayandincome2003.pdf>

This persistent pay gap results from direct discrimination against women, structural inequalities, such as segregation in sectors, occupations and work patterns, access to education and training, biased evaluation and pay systems, and stereotypes. The average difference between male and female earnings across the UK is greater than across the average for the EU25. In 2004, average gross hourly earnings for females were some 78% of the average male rate, compared to 85% across the EU25. The gender pay differential in West Wales and the Valleys is less than in the UK, but both women and men earn less than the UK average. It is also worth noting that the 12% pay gap rises to 31% for part-time women and despite the improvements Welsh women have seen in earnings, a pay differential still exists. Tackling the problem of the gender pay gap will need an approach that is multifaceted and brings together different partners.

Across the EU, women constitute on average 30% of entrepreneurs, and often face more difficulty than their male counterparts in starting up businesses and in accessing finance and training. In Wales there has been a 20% decrease in entrepreneurial activity among women, while the gender gap between male and female entrepreneurial activity has widened in recent years. It has been suggested that if Wales had the same proportion of women involved in new business ventures as men, then almost 30,000 new businesses would have been created in 2005<sup>10</sup>. The *EU Entrepreneurship Action Plan* recommends increasing women's business start-ups via better access to finance and the development of entrepreneurial networks.

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

It is important to ensure that women retain lifelong contact with the labour market where they wish to do so, break out of stereotypical employment roles and learn new skills. Opportunities in the labour market are still shaped by gender. Indeed, the labour market is characterised by horizontal, vertical and contractual segregation. The Equal Opportunities Commission's (EOC) investigation into occupational segregation demonstrated that recruiting from only half of the labour force limits opportunities for individuals, businesses and the economy overall. Employers are missing out on much needed talent and are struggling to fill vacancies. In the construction industry, for example, two out of five vacancies are the result of skill shortages, nearly twice the national average. Only one in 100 construction workers are women, demonstrating that there are missed opportunities<sup>11</sup>. Seven in ten employers in engineering,

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<sup>10</sup> Global Entrepreneurship Monitoring GEM University of Glamorgan and UWCC: [www.gemconsortium.org/document.asp?id=436](http://www.gemconsortium.org/document.asp?id=436)

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

childcare and IT stated that taking on more recruits of non-traditional sex could help them meet skills shortages<sup>12</sup>. The EOC have concluded that gender imbalance not only still exists, but also that both small and larger workplaces in Wales are more segregated than those in England and Scotland.

Women and men also tend to work in different industries. For example, within West Wales and the Valleys, women are over represented in service sector industries<sup>13</sup>. Some 75% of Welsh women work in cleaning, catering, caring, clerical and customer services. Added to the horizontal segregation is the tendency for women and men to work at different levels within the same industries. In the NHS in Wales 75% and 20% of all staff and hospital consultants, respectively, are women. To combat this labour market segregation, it is important to facilitate women's entry into non-traditional sectors, to promote men's presence in sectors traditionally occupied by women and to explore the reasons behind why women do not progress in employment.

Girls significantly out-perform boys at GCSE level, with more and higher-grade qualifications. In higher education, the balance has shifted to the point where the majority of full-time undergraduate and post-graduate students are female<sup>14</sup>. However, the pay gap continues due, in part, to job segregation.

Girls and boys continue to make traditional career choices in line with their peers and gender expectations. Focus needs to be placed on combating gender stereotypes from an early age, providing awareness training to teachers and students and encouraging young women and men to explore non-traditional educational paths. Combating gender stereotypes within the school setting may also help with the struggle many gay and lesbian pupils face in mainstream education<sup>15</sup>.

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

Many mothers and carers work part-time for low pay; they cannot find higher skilled work in line with their abilities that is compatible with family responsibilities, and could contribute more to economic productivity. This is a vicious circle, which compels fathers to work long hours and is a barrier to

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<sup>12</sup> Ibid.

<sup>13</sup> Public Administration, Education and Health, Distribution, Hotels and Restaurants and Banking, Finance and Insurance.

<sup>14</sup> Ibid.

<sup>15</sup> The Bullying of Sexual Minorities at School: Its nature and long term correlates, Rivers I 2001

men taking on caring responsibilities. Women remain the main carers of children and dependants, and where reconciliation policies are available men are still slow to take up opportunities, such as parental leave or part time work. There is also evidence that part-time workers have less access to training opportunities which has the impact of restricting progression in employment.

An ageing population makes it increasingly likely that more people will be taking on the role of help and support for older people. The challenge is to allow carers to balance work and family life so that they can work to their full potential, especially if Wales is to meet the UK target of 80% employment<sup>16</sup>.

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<sup>16</sup> UK Employment Targets: <http://www.hm-treasury.gov.uk>

## EQUALITY MATRIX

An analysis has been undertaken of the intended impact of supported activities on the Convergence programme's equal opportunities objectives. This is represented in the form of matrix table for each of the ESF priorities and themes.

### ESF Priority 1: Supplying young people with the skills for learning employment

Theme	Tackling Under achievement	Raising Skills and Aspirations
<p><b>Equal Opportunities objective</b></p> <p><b>Increase the number of individuals who have multiple disadvantages accessing employment and self employment.</b></p>	<p>Support for specific interventions for young people, particularly those at risk of NEET including school and community based provision. Types of activity could include: work related activities, confidence raising, advice and guidance, careers information, confidence and skills training, environmental awareness and social responsibility.</p> <p>Support for mentoring and advocacy schemes.</p> <p>Mechanisms that support independent learning.</p>	<p>Targeted support for the development of work related skills for new labour market entrants.</p> <p>Support mechanisms for young people to develop their careers, including work experience opportunities and volunteering.</p> <p>Innovative interventions which ensure all young people including those facing multiple disadvantage have access to a full range of vocational and academic opportunities, including community based learning.</p>

ANNEX D – EQUAL OPPORTUNITIES ANALYSIS AND EQUALITY MATRIX

	<p>Support for schemes which encourage and enable volunteering within the community,</p> <p>Support for collaboration between FE/HE, schools and work based provision.</p> <p>Support for professional development schemes for those working with young people who face multiple inequalities.</p>	<p>Support for collaboration activities between sectors, which encourage young people to take science, technology, engineering and mathematics.</p> <p>Support for mechanisms that raise awareness of the benefits of higher education, including mentoring and role model schemes.</p>
<p><b>Increase the number of women, Black and minority ethnic people and disabled people securing training and employment in higher paid and higher skilled sectors and self employment</b></p>	<p>Specifically targeted support for disadvantaged young people and those facing multiple barriers, including mentoring and advocacy schemes.</p> <p>Support for collaborative working mechanisms between professionals to develop new recognised qualification.</p>	<p>Support mechanisms for young people to develop higher level learning schemes.</p> <p>Innovative interventions which ensure all young people including those facing multiple disadvantage have access to a full range of vocational and academic opportunities.</p> <p>Support for mechanisms that raise awareness of the benefits of higher education, including mentoring and role model schemes.</p> <p>Support mechanisms for young people to develop their careers, including work experience opportunities and volunteering.</p> <p>Support for innovative study programmes.</p>

ANNEX D – EQUAL OPPORTUNITIES ANALYSIS AND EQUALITY MATRIX

<p><b>Challenge occupational segregation by increasing the number of women and men training or re-training in non-traditional areas, focusing on areas where there are skill shortages</b></p>	<p>Specific targeted support for young people, especially around non-traditional areas of work and stereotyping.</p> <p>Support for collaborative working mechanisms between professionals to develop new recognised qualification.</p>	<p>Support mechanisms for young people to develop their careers, especially in non traditional areas.</p> <p>Support for collaboration activities between sectors, which encourage young women to take up science, technology, engineering and mathematics.</p> <p>Support for mechanisms that raise awareness of the benefits of higher education, including mentoring and role model schemes.</p> <p>Support mechanisms for young people to develop their careers, including work experience opportunities and volunteering.</p>
<p><b>Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring systems and methods of feeding in improvements</b></p>	<p>Support for delivery partners who are developing and/or improving their equal opportunities policy and practices.</p>	<p>Support for activities which raise employers awareness of the need to challenge traditional assumptions and stereotypes, especial in relation to an individuals limitation/s.</p>

**ESF Priority 2: Increasing employment and tackling economic inactivity**

Theme Equal Opportunities objective	Helping people into sustainable employment	Helping people to remain in work
<p><b>Increase the number of individuals who have multiple disadvantages accessing employment and self employment .</b></p>	<p>Additional support for people to move into employment: advice on learning and employment opportunities, job search, financial incentives, work experience, voluntary work and work placements.</p> <p>Support for services for those at risk of redundancy.</p> <p>Specialist support for disabled people and those with work-limiting health conditions.</p> <p>Collaborative work with other agencies, including GPs and health professionals.</p> <p>Support for employers to employ and retain disabled people and people with health-limiting conditions.</p> <p>Support for healthier lifestyles, including targeted support for people with drug and alcohol problems.</p>	<p>Support for workplace health programmes.</p> <p>Targeted support, on health related issues for older workers, to assist them to remain in employment.</p> <p>Support for targeted mentoring services on health related issues, for groups facing multiple disadvantage to assist them to remain in employment.</p>

ANNEX D – EQUAL OPPORTUNITIES ANALYSIS AND EQUALITY MATRIX

	<p>Support for childcare measures and other care responsibilities.</p> <p>Support for innovative solutions to overcome transport barriers, including home working and flexible training.</p> <p>Support for older workers to re-skill and remain within the labour market.</p>	
<p><b>Increase the number of women, Black and minority ethnic people and disabled people securing training and employment in higher paid and higher skilled sectors and self employment</b></p>	<p>Support specialist community engagement to encourage people to consider achieving higher level skills.</p> <p>Measures which support graduates compete effectively for higher value added jobs.</p>	<p>Support for targeted mentoring services on health related issues, for groups facing multiple disadvantages.</p>
<p><b>Challenge occupational segregation by increasing the number of women and men training or re-training in non-traditional areas, focusing on areas where there are skill shortages</b></p>	<p>Support for childcare measures and other care responsibilities.</p> <p>Support for targeted actions which enable women and men to take up non traditional employment roles.</p> <p>Support for innovative solutions to overcome transport barriers, including home working and flexible training.</p> <p>Support for older workers to re-skill and</p>	<p>Support for targeted mentoring services for women and men on health related issues, to assist them to remain in employment.</p>

	<p>remain within the labour market.</p> <p>Measures which support graduates compete effectively for higher value added jobs.</p> <p>Support specialist community engagement for people to consider achieving higher level skills.</p>	
<p><b>Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring systems and methods of feeding in improvements</b></p>	<p>Support for employers to widen their recruitment pool and offer work placements to disadvantaged groups.</p> <p>Support for employers to develop and monitor equal opportunities policies and practices, including flexible working practices.</p> <p>Support for joint activities which promote equality and diversity in employment.</p>	<p>Awareness raising and general support for employers to encourage those experiencing health issues to remain in employment, for example, through flexible working practices.</p> <p>Support for employers to develop and monitor equal opportunities policies and practices.</p> <p>Support for joint activities aimed at health and disability awareness and management.</p> <p>Support for activities which raise awareness of corporate responsibility especially in the area of equal opportunities.</p>

**ESF Priority 3: Improving skills levels and the adaptability of the workforce**

<b>Theme Equal Opportunities objective</b>	<b>Raising the skills base of the workforce</b>	<b>Skills for the knowledge economy: higher level skills and systems for workforce development</b>	<b>Promoting gender equality in employment</b>
<b>Increase the number of individuals who have multiple disadvantages accessing employment and self employment.</b>	<p>Support to raise the levels of literacy, numeracy and ICT skills of those in employment.</p> <p>Support for language training for non-native speakers of Welsh / English where employment opportunities in the local labour market would be enhanced, including language skills for migrant workers.</p> <p>Support for the provision of opportunities for low skilled workers and those needing generic skills to progress.</p> <p>Targeted support for older workers and those who need to make career changes to help them remain economically active.</p>	Support for activities which assist individuals to transfer their skills, especially into areas where there are skill shortages.	<p>Support for young people in order to raise awareness of gender stereotyping.</p> <p>Targeted support to remove barriers to full participation within learning and employment, including vocational training.</p>

<p><b>Increase the number of women, Black and minority ethnic people and disabled people securing training and employment in higher paid and higher skilled sectors and self employment</b></p>	<p>Language training support for non-native speakers of Welsh / English to enhance their employment opportunities in the local labour market.</p> <p>Support for flexible provisions to enable individuals to progress in employment; i.e. learning opportunities.</p> <p>Support for targeted interventions which address barriers specific groups experience accessing training and employment in higher skilled sectors.</p> <p>Support for the development of technology based support packages aimed at diverse groups and learning styles</p>	<p>Targeted activities that support women, BME and disabled people to overcome the barriers to gaining higher level skills.</p> <p>Targeted support for women, BME and disabled graduates to gain employment market skills.</p> <p>Entrepreneurship support among higher level women, BME and disabled graduates.</p> <p>Support for those in work and business owners to develop higher level skills.</p>	<p>Targeted support to remove barriers to women’s full participation in employment, training and education, including apprenticeship schemes, women into science and technology, management schemes and female entrepreneurship schemes.</p> <p>Support for specialist employment advice for women who face multiple disadvantages; i.e. BME women, disabled women, lesbian women and older women.</p>
<p><b>Challenge occupational segregation by increasing the number of women and men training or re-training in non-traditional areas, focusing on areas where</b></p>	<p>Targeted support for those who need to make career changes to help them remain economically active or move into non-traditional areas of work.</p>	<p>Support to raise awareness of the potential and provide the opportunities for women to move into science, technology, engineering, construction and management.</p>	<p>Support for career advice that challenges gender stereotyping.</p> <p>Targeted support to remove barriers to women’s full participation in employment, training and education,</p>

ANNEX D – EQUAL OPPORTUNITIES ANALYSIS AND EQUALITY MATRIX

<p><b>there are skill shortages</b></p>	<p>Support for targeted interventions which address barriers specific groups experience accessing training and employment in higher skilled sectors.</p>		<p>including apprenticeship schemes, women into science and technology, management schemes, and female entrepreneurship schemes.</p> <p>Support for specialist employment advice for women who face multiple disadvantages; i.e. BME women, disabled women, lesbian women and older women.</p> <p>Support for specialist employment advice through the medium of Welsh to increase the employability of Welsh speaking women.</p> <p>Support for child / adult care provision in order to meet the needs of the working carer.</p>
<p><b>Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring</b></p>	<p>Support for employers and SMEs to develop and deliver enhanced management development activities, which include strategies for equal opportunities.</p>	<p>Support for equality awareness raising and training among employers and employees.</p>	<p>Support for employers to develop management tools that enable women to more readily progress their careers.</p> <p>Support for employers to</p>

<p><b>systems and methods of feeding in improvements</b></p>			<p>develop strategies and management tools for work-life balance solutions.</p> <p>Support for employers and learning providers to develop mechanisms that challenge traditional attitudes to male and female employment.</p>
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**ESF Priority 4: Making the Connections, Modernising and Improving the Quality of our Public services**

<p><b>Theme Equal Opportunities objective</b></p>	<p><b>Transforming Public Services Through More Effective Collaborative Working</b></p>	<p><b>Building the Capacity of Public Service Sectors to Deliver Higher Quality Services.</b></p>
<p><b>Increase the number of individuals who have multiple disadvantages accessing employment and self employment.</b></p>	<p>Support for mechanisms that provide open and accessible routes to public information.</p>	
<p><b>Increase the number of women, Black and minority ethnic people and disabled people securing training and employment in higher paid and higher skilled sectors and self employment</b></p>		
<p><b>Challenge occupational segregation by increasing the number of women and men training or re-training in non-traditional areas, focusing on areas where there are skill shortages</b></p>		

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<p><b>Increase the number of employers and training organisations that develop equality and diversity strategies, including monitoring systems and methods of feeding in improvements</b></p>	<p>Support for employers to develop and monitor equal opportunities policies and practices, including flexible working practices.</p> <p>Support for activities which aim to build in equal opportunities at the procurement stage.</p>	<p>Support for managers to develop and deliver enhanced management development activities, which include strategies for equal opportunities.</p> <p>Support for joint solutions aimed at workforce development and corporate responsibility especially in the area of equal opportunities.</p>
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## ANNEX E – ENVIRONMENT MATRIX

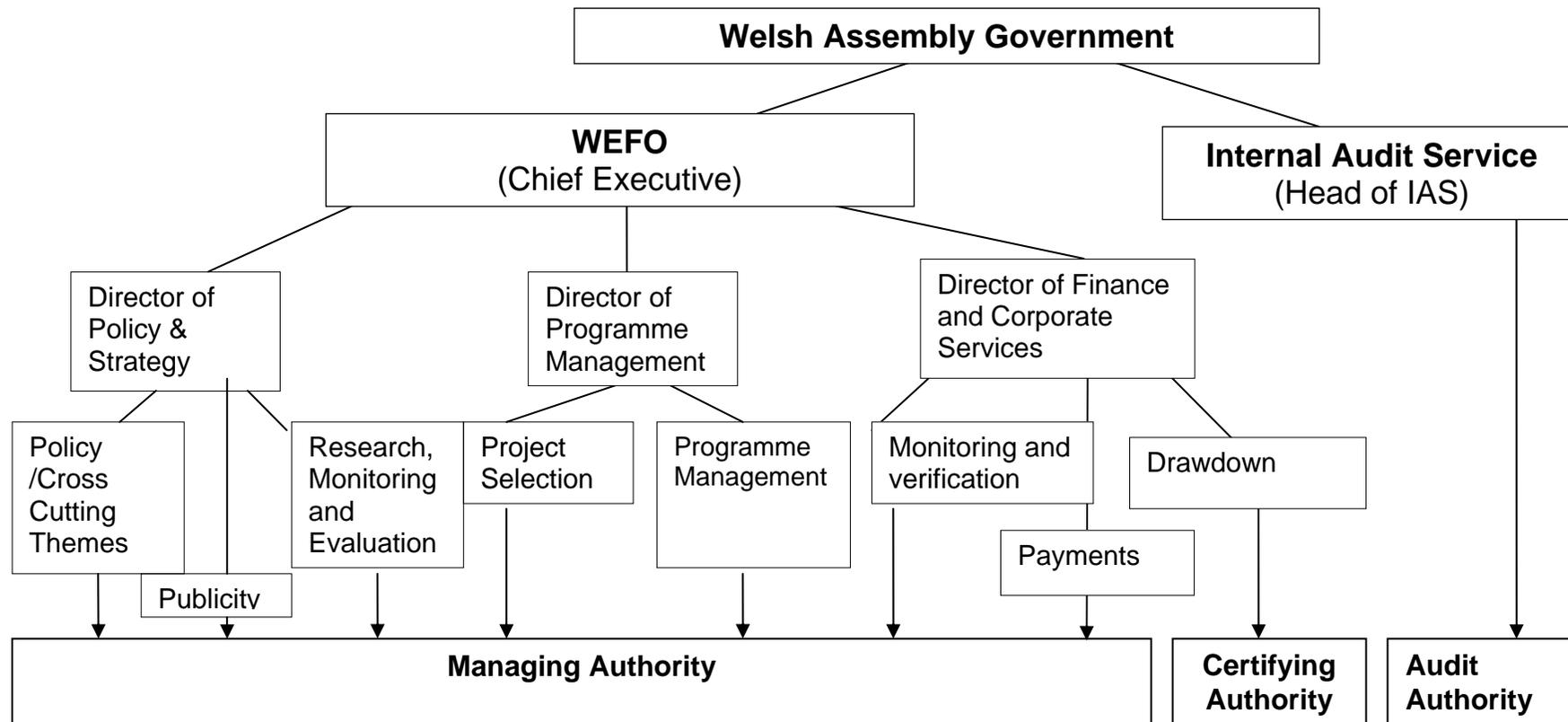
### ESF Convergence Programme : Analysis of the effects of the 4 Priorities on the Environmental Sustainability objectives

<b>P1: Supplying young people with the skills needed for learning and future employment</b>	<b>P2: Increasing employment and tackling economic inactivity</b>	<b>P3: Improving skills level and the adaptability of the workforce</b>	<b>P4: Modernising and improving the quality of our public services - Making the Connections</b>
<p>Positive effects of promotion of initiatives which promote improved understanding of sustainable development, contributing to improved life skills and of benefit in preparing young people for learning and future employment</p> <p>Small scale educational infrastructure projects will be encouraged to achieve high standards of environmental performance. Development on existing sites (brownfield) will be encouraged.</p>	<p>Positive effects of support for improving awareness and understanding about the environment, and environmental recreation that promotes healthier lifestyles and the role of individuals and businesses to protect and improve the environment.</p>	<p>Positive effect of the development of new training and education programmes to fill gaps in provision to deliver specialist environmental sustainability skills</p> <p>Small scale educational infrastructure projects will be encouraged to achieve high standards of environmental performance. Development on existing sites (brownfield) will be encouraged.</p>	<p>Positive effects of increasing the knowledge and skills relating to improve resource efficiency including the use of environmental management systems to improve the environmental performance of public services.</p> <p>Positive effect of dissemination of best practice in environmental management and improvements in resource efficiency to reduce costs and carbon emissions.</p>
<p><b>Across all Priorities</b></p> <p>Negative impacts of increased transport can be minimized by sensitive location of training course and outreach provision where appropriate. Potential increase in use of energy and raw materials will be offset through promotion of energy efficiency, recycling and environmental management systems.</p> <p>Positive effect of integrating sustainable development into supported awareness raising, training and education programmes</p>			



## ANNEX F – ORGANOGRAM

### Welsh Assembly Government – Organogram Showing Structural Fund Authority Responsibilities



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

## ANNEX G - INDICATIVE LIST OF STRATEGIC FRAMEWORKS

### **Supplying young people with skills for learning and future employment** (ESF Priority 1: Themes 1 & 2)

*Providing young people with the skills needed for employment, including school and community based interventions to tackle under-achievement and support for disadvantaged young people.*

Co-ordinating Organisation: Department for Education, Culture and Welsh Language

### **Increasing Employment and Tackling Economic Inactivity** (ESF Priority 2: Themes 1 & 2)

*Helping more people into work through active labour market interventions, addressing barriers to employment, including promoting healthier lifestyles, and helping people to remain in work by reducing the risk of becoming unemployed or moving into long-term inactivity.*

Co-ordinating Organisation: Dept for Education, Culture and Welsh Language supported by Dept for Economy & Transport, Department for Health and Social Services (DHSS), Office of the Chief Medical Officer (OCMO) and Job Centre Plus.

### **Improving the skills base of the workforce** (ESF Priority 3: Theme 1)

*Improving basic skills in literacy, numeracy and ICT and helping low skilled workers to gain the skills and qualifications to improve their employability and support progression in employment*

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

### **Workforce development and learning systems: Skills for the Knowledge Economy**

(ESF Priority 3: Theme 2)

*Improving systems for workforce development, addressing skills gaps and shortages, targeted support for higher level skills development and supporting the adaptability of workers and businesses.*

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

**Gender equality in employment**

*(ESF Priority 3: Theme 3)*

*Promoting gender equality in employment and tackling the causes of the gender pay gap, including segregation in the labour market*

Co-ordinating Organisation: Dept for Education, Culture & Welsh Language

**Modernising and improving the quality of our public services - Making the Connections**

*(ESF Priority 4: Themes 1 & 2)*

*Transforming public services through more effective collaborative working and building capacity to deliver higher quality services*

Co-ordinating Organisation: Department of Public Services and Performance (DPSP) - Making the Connections Team, supported by Public Services Management Wales (PSMW)

## **ANNEX H – STRATEGIC FRAMEWORK CO-ORDINATOR RESPONSIBILITIES**

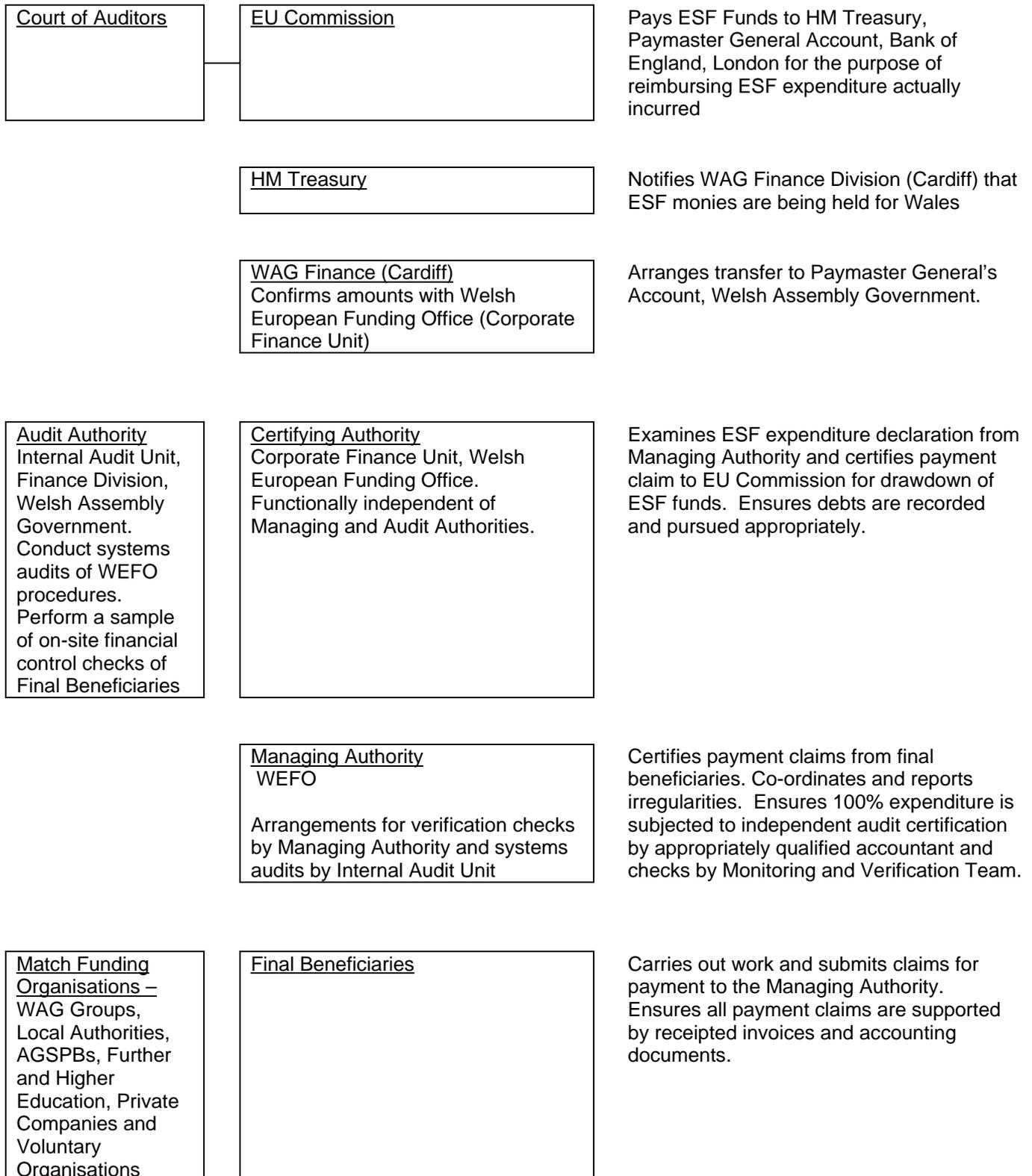
Strategic Framework co-ordinators will be responsible for:

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

# ANNEX I – FINANCIAL FLOWS AND CONTROLS

## West Wales and the Valleys ESF Convergence Programme OP 2007-13

### The Financial Flows and Controls



## **ANNEX J – SUMMARY OF THE MONITORING AND EVALUATION PLAN**

### ***1. Introduction***

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

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

### ***2. Monitoring***

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

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

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

Programme indicators relate to the effects of the intervention. They fall into three categories: output; result; and impact, and are linked together in a logical chain. These indicators are set at Priority level and they have been selected carefully to reflect the breadth of individual Priorities, while focusing on the key Priority objectives and the Cross Cutting Themes. They are to enable the Managing Authority, PMC and others to make an assessment of the direct contribution of the Programme. Projects will be required to select all the relevant indicators from those available within the Priority from which they are being funded and they will be given direction in this by the Managing Authority. The timescales and relevant milestones for reporting the monitoring data will be agreed with the Managing Authority when

the project is being developed. Projects will report their monitoring data through the new PPIMS database, further details of PPIMS are given in the Implementation Chapter.

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

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

The Managing Authority will report to the PMC for it to be able to satisfy itself as to the effectiveness and quality of the implementation and achievement of all the OPs. The style and types of reports required, along with the reporting timeframes, will be subject to consultation with the PMC. In accordance with Article 67, WEFO, as the Managing Authority, will submit electronically an Annual Implementation Report to the Commission within six months of the end of each full calendar year of implementation. The Annual Implementation Report will be considered and approved by the Programme Monitoring Committee, in accordance with Article 65(d). The first report will be provided to the Commission by 30 June 2008.

### **3. Evaluation**

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

#### ***(a) Programme level evaluation***

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

The Programme level evaluations will address the following issues:

- **Relevance:** are the Programme objectives appropriate?

- **Effectiveness:** have the objectives of the Programme been achieved?
- **Efficiency:** is the Programme cost-effective and what sort of value for money is being achieved?
- **Utility:** have the needs of the target groups been met or could more be done?
- **Sustainability:** will the Programme effects be sustained?
- **Synergy:** has the Programme complemented and enhanced the effects of related European and domestic policies and interventions?

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

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

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

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

The responsibility for considering the launch of an evaluation relating to a departure from the profiled targets lies with the Managing Authority. The Managing Authority acknowledges this is a complex area which encompasses more than simply relying

on trigger points. Further guidelines will be developed in conjunction with the Evaluation Advisory Group.

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

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

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

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

The indicative activities are:

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

research project to assess the integration of the Themes or considering the Cross Cutting Themes in other evaluations; and

- For ESF, annual surveys of participants from 2009 and a review of Priority 4 implementation progress and processes in 2010 and in 2012.

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

***(b) Strategic Framework and project level evaluation***

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

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

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

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

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

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

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

***(c) Linking the different levels of evaluation***

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

**4. Resources**

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

**5. Planned activity for 2007/08**

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

Besides this there are four further tasks:

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

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

### Programme-level Indicators

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
Total participants <sup>1</sup>	<i>1,103,000 total working age individuals, 2005 (Annual Population Survey)</i>	247,500**	Individual participant information	Annual reports and PMC meetings
Female participants <sup>2</sup>	<i>534,000 total working age female individuals, 2005 (Annual Population Survey)</i>	135,950	Individual participant information	Annual reports and PMC meetings
Economically inactive participants <sup>3</sup>	<i>291,000 working age economically inactive* individuals (Annual Population Survey, 2005)</i>	71,750	Individual participant information	Annual reports and PMC meetings
Unemployed participants <sup>4***</sup>	<i>45,000 unemployed individuals aged 16+ (Annual Population Survey, 2005)</i>	27,000	Individual participant information	Annual reports and PMC meetings
Employed participants <sup>5</sup>	<i>797,000 employed individuals, 2005 (Annual Population Survey)</i>	122,500	Individual participant information	Annual reports and PMC meetings
Employers assisted or financially supported <sup>6</sup>	<i>102,500 enterprises active, 2003 (WAG, 2004)</i>	20,060	Individual participant information	Annual reports and PMC meetings

<sup>1</sup> The number of individuals participating in this Programme

<sup>2</sup> The number of female participants participating in this Programme

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

<sup>4</sup> The number of participants who are unemployed participating in this Programme

<sup>5</sup> The number of participants who are employed participating in this Programme

Collaborative agreements between public service bodies <sup>7</sup>	N/A	20	Individual participant information	Annual reports and PMC meetings
Participants entering employment <sup>8</sup>	797,000 total employed individuals in WWV	22,500	Individual participant information	Annual reports and PMC meetings
Participants gaining qualifications <sup>9</sup>	905,000 working age individuals in with qualifications, 2005 (Annual Population Survey) 224,000 economically inactive* and unemployed individuals with qualifications, 2005 (Annual Population Survey)	75,030	Individual participant information	Annual reports and PMC meetings
Participants gaining a basic skills qualification <sup>10</sup>	N/A	41,400	Individual participant information	Annual reports and PMC meetings
Participants gaining a qualification at Level 2 <sup>11</sup>	N/A	21,600	Individual participant information	Annual reports and PMC meetings
Participants gaining a qualification at Level 3 <sup>12</sup>	N/A	8,400	Individual participant information	Annual reports and PMC meetings
Participants gaining a qualification at Level 4 and above <sup>13</sup>	N/A	3,600	Individual participant information	Annual reports and PMC meetings
Participants entering further	157,000 working age enrolled on full	51,000	Individual participant	Annual reports and

<sup>6</sup> The number of employers that receive assistance or financial support through this Programme

<sup>7</sup> The number of collaborative agreements between public service bodies secured through this Programme

<sup>8</sup> The number of participants entering employment following participation in this Programme

<sup>9</sup> The number of participants gaining a qualification as a result of participation in this Programme

<sup>10</sup> The number of participants gaining a basic skills qualification as a result of participation in this Programme

<sup>11</sup> The number of participants gaining a qualification at Level 2 as a result of participation in this Programme

<sup>12</sup> The number of participants gaining a qualification at Level 3 as a result of participation in this Programme

<sup>13</sup> The number of participants gaining a qualification at Level 4 or above as a result of participation in this Programme

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learning <sup>14</sup>	<i>or part time education course, 2005 (Annual Population Survey)</i>	information	PMC meetings
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\*Economically inactive figures in the baseline include students

\*\*Includes 35,000 Priority 1 participants who are in the 11-19 age group

\*\*\*Unemployed participants includes individuals under formal notice of redundancy (data on the numbers of individuals identified as redundant can be provided separately as necessary)

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<sup>14</sup> The number of participants entering further learning following participation in this Programme

## Priority Level Indicators

### Priority 1

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

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

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

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

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<b>Outputs</b>				
<b>Total participants (11-19 year olds)</b>	<i>248,500 10-19 year olds, 2005 (ONS, 2005)</i>	<b>35,000</b>	Individual participant information	Annual reports and PMC meetings
<b>Female Participants</b>	<i>120,900 female 10-19 year olds, 2005 (ONS, 2005)</i>	<b>40%</b>	Individual participant information	Annual reports and PMC meetings

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<i>Key intervention groups:</i>			Individual participant information	Annual reports and PMC meetings
<i>11-13 year old participants</i>	<i>73,616 11-13 year olds, 2005 (Stats Wales)</i>	<b>30%</b>		
<i>14-19 year old participants</i>	<i>152,000 14-19 year olds, 2005 (Stats Wales)</i>	<b>70%</b>		
<i>NEET participants</i>	<i>10,900 16-18 yr olds, not in education, training or employment (Annual Population Survey, 2005)</i>	<b>25%</b>		
<i>Female participants receiving training in Maths, Science, Engineering and Technology</i>	<i>41,220 entries at GCSE and vocational scientific, technology, mathematical, engineering subjects, 15 year old females (WAG, 2005/06)</i>	<b>3%</b>		
<b>Employers collaborating with education/training providers</b>	<i>N/A</i>	<b>500</b>	Individual employer information	Annual reports and PMC meetings
<b>Systems developed</b>	<i>N/A</i>	-	Project information	Annual reports and PMC meetings
<b>Projects using soft outcome measurement systems</b>	<i>N/A</i>	<b>50%</b>	Management information	Annual reports and PMC meetings
<b>Projects integrating sustainable development into awareness raising, education and training programmes</b>	<i>N/A</i>	<b>75%</b>	Individual participant information	Annual reports and PMC meetings
<b>Results</b>				

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Participants gaining qualifications – 11-19 year olds</b> <i>Key intervention groups:</i>	<i>86,500 16-19 year olds with qualifications, 2005 (Annual Population Survey, 2005)</i>	<b>10,500</b>	Individual participant information	Annual reports and PMC meetings
<i>14-19 year old participants</i>	<i>86,500 16-19 year olds with qualifications, 2005 (Annual Population Survey, 2005)</i>	-		
<i>NEET participants</i>	<i>86,500 16-19 year olds with qualifications, 2005 (Annual Population Survey, 2005)</i>	-		
<i>Female participants</i>	<i>44,600 female 16-19 year olds with qualifications, 2005 (Annual Population Survey, 2005)</i>	-		
<i>Female participants gaining qualifications in Maths, Science, Engineering and Technology</i>	<i>24,100 entries achieved at grades A*-C at GCSE and vocational scientific, technology, mathematical, engineering subjects, 15 year old females (WAG, 2005/06)</i>	<b>3%</b>		
<i>Qualification levels to be gained:</i>	<i>Number of 16-19 year olds in WWV with qualifications at:</i>			
<i>Basic skills</i>	<i>Below Level 2 – 21,800</i>	<b>60%</b>		
<i>at Level 2</i>	<i>Level 2 – 40,800</i>	<b>25%</b>		
<i>at Level 3</i>	<i>Level 3 or above – 13,800</i>	<b>15%</b>		
	<i>(Annual Population Survey, 2005)</i>			

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Participants entering further learning – 16-19 year olds</b>	49,700 16-19 year olds enrolled at FEIs or sixth forms during the 2004/05 academic year (WAG) 13,300 18-19 year old students at UK HEIs in 2005/06 (HESA)	<b>21,000</b>	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>NEET participants</i>	49,700 16-19 year olds enrolled at FEIs or sixth forms during the 2004/05 academic year (WAG) 13,300 18-19 year old students at UK HEIs in 2005/06 (HESA)	-		
<i>Female participants</i>	Not available	-		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<b>Participants gaining other positive outcomes<sup>15</sup> – 11-19 year olds</b>		<b>31,500</b>	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>	<i>N/A</i>	-		
11-13 year old participants	<i>N/A</i>	-		
14-19 year old participants	<i>N/A</i>	-		
NEET participants	<i>N/A</i>	-		
Female participants	<i>N/A</i>	-		
<b>Participants entering employment – 16-19 year olds</b>	<i>45,400 16-19 year olds in employment (Annual Population Survey, 2005)</i>	-	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
NEET participants	<i>45,400 16-19 year olds in employment (Annual Population Survey, 2005)</i>	-		
Female participants	<i>23,000 16-19 year old females in employment (Annual Population Survey, 2005)</i>	-		
<b>Impacts</b>				
<b>Participants in employment, education or training at 12 months</b>	<i>N/A</i>	-	Evaluation	Annually from 2009

<sup>15</sup> Positive outcomes are intermediary outcomes, including: completing courses; entering voluntary work; and attending a job interview.

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

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

Output	Result	Impact
Projects		
Participants (11-19 year olds)	Participants gaining qualifications Participants entering further learning Participants gaining other positive outcomes Participants entering employment	Participants in employment, education or training at 12 months
Employers collaborating with education/training providers		
Systems developed		
Projects using soft outcome measurement		

systems		
Projects integrating sustainable development into awareness raising, education and training programmes		

## Priority 2

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

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

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

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

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<b>Outputs</b>				
<b>Total participants</b>	<i>1,103,000 total working age individuals, 2005 (Annual Population Survey)</i>	<b>115,000</b>	Individual participant information	Annual reports and PMC meetings
<b>Female participants</b>	<i>534,000 total working age female individuals, 2005 (Annual Population Survey)</i>	<b>51%</b>	Individual participant information	Annual reports and PMC meetings

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Participants – Economically inactive and unemployed</b>	<i>336,000 total economically inactive* and unemployed individuals, 2005 (Annual Population Survey)</i>	<b>90,000</b>	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	<i>291,000 working age economically inactive individuals (Annual Populations Survey, 2005)</i>	<b>70%</b>		
<i>Unemployed**</i>	<i>45,000 unemployed individuals aged 16+ (Annual Population Survey, 2005)</i>	<b>30%</b>		
<i>NEET participants</i>	<i>10,900 16-18 yr olds, not in education, training or employment (Annual Population Survey, 2005)</i>	-		
<i>Female participants</i>	<i>177,000 total female economically inactive* and unemployed individuals, 2005 (Annual Population Survey)</i>	<b>52%</b>		
<i>BME participants</i>	<i>8,000 total non-white economically inactive* and unemployed individuals, 2005 (Annual Population Survey)</i>	-		
<i>Older participants</i>	<i>215,000 total economically inactive* and unemployed individuals aged 50+, 2005 (Annual Population Survey)</i>	<b>40%</b>		
<i>Participants with work-limiting health condition or disability</i>	<i>166,000 total economically inactive* and unemployed individuals with work-limiting health condition or disability, 2005 (Annual Population Survey)</i>	<b>55%</b>		
<i>Lone parents</i>	<i>40,000 claiming New Deal for Lone Parents in Wales (Job Centre Plus)</i>	<b>8%</b>		

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Participants - Employed</b>	<i>797,000 employed individuals, 2005 (Annual Population Survey)</i>	<b>25,000</b>	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>Participants with work-limiting health condition or disability</i>	<i>107,000 employed individuals with disability aged 16+, 2005 (Annual Population Survey)</i>	<b>100%</b>		
<i>Participants receiving individualized assistance with work-limiting health conditions or disabilities</i>	<i>N/A</i>	<b>4%</b>		
<i>Participants receiving general assistance with work-limiting health conditions or disabilities</i>	<i>N/A</i>	<b>96%</b>		
<i>Female participants</i>	<i>377,000 female employed individuals, 2005 (Annual Population Survey)</i>	<b>47%</b>		
<i>BME participants</i>	<i>9,000 non-white employed individuals, 2005 (Annual Population Survey)</i>	<b>-</b>		
<i>Older participants</i>	<i>215,000 employed individuals who are aged 50+, 2005 (Annual Population Survey)</i>	<b>27%</b>		
<b>Employers assisted or financially supported</b>	<i>102,500 enterprises active, 2003 (WAG, 2004)</i>	<b>5,000</b>	Individual employer information	Annual reports and PMC meetings

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Participants who receive support with caring responsibilities</b>	<i>N/A</i>	-	Project information	Annual reports and PMC meetings
<b>Projects using soft outcome measurement systems</b>	<i>N/A</i>	<b>50%</b>	Management information	Annual reports and PMC meetings
<b>Projects integrating sustainable development into awareness raising, education and training programmes</b>	<i>N/A</i>	<b>75%</b>	Management information	Annual reports and PMC meetings
<b>Results</b>				

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Participants gaining qualifications – Economically inactive and unemployed</b>	<i>224,000 economically inactive* and unemployed individuals with qualifications, 2005 (Annual Population Survey)</i>	<b>27,000</b>	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	<i>190,000 working age economically inactive individuals with qualifications (Annual Population Survey, 2005)</i>	-		
<i>Unemployed**</i>	<i>34,000 unemployed individuals aged 16+ with qualifications (Annual Population Survey, 2005)</i>	-		
<i>NEET participants</i>	<i>86,500 16-19 year olds with qualifications, 2005 (Annual Population Survey, 2005)</i>	-		
<i>Female participants</i>	<i>117,000 16+ unemployed and working age economically inactive female individuals with qualifications (Annual Population Survey, 2005)</i>	-		
<i>BME participants</i>	<i>7,000 16+ unemployed and working age economically inactive BME individuals with qualifications (Annual Population Survey, 2005)</i>	-		
<i>Older participants</i>	<i>73,000 unemployed individuals aged 50+ and economically inactive aged 50-retirement age with qualifications (Annual Population Survey, 2005)</i>	-		

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<i>Participants with work-limiting health condition or disability</i>	<i>96,000 16+ unemployed and working age economically inactive disabled individuals with qualifications (Annual Population Survey, 2005)</i>	-	Individual participant information	Annual reports and PMC meetings
<i>Lone parent</i>	<i>Not available</i>	-		
<i>Qualification levels to be gained:</i>				
<i>Basic skills</i>	<i>N/A</i>	<b>55%</b>		
<i>Level 2</i>	<i>N/A</i>	<b>30%</b>		
<i>Level 3</i>	<i>N/A</i>	<b>10%</b>		
<i>Level 4 and above</i>	<i>N/A</i>	<b>5%</b>		

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Participants entering employment – Economically inactive and unemployed</b>	<i>797,000 employed individuals aged 16+, 2005 (Annual Population Survey)</i>	<b>22,500</b>	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	<i>797,000 employed individuals aged 16+, 2005 (Annual Population Survey)</i>	-		
<i>Unemployed**</i>	<i>797,000 employed individuals aged 16+, 2005 (Annual Population Survey)</i>	-		
<i>NEET participants</i>	<i>31,000 16-18 year olds in employment (Annual Population Survey, 2005)</i>	-		
<i>Female participants</i>	<i>377,000 employed female individuals aged 16+, 2005 (Annual Population Survey)</i>	-		
<i>BME participants</i>	<i>9,000 employed non-white individuals aged 16+, 2005 (Annual Population Survey)</i>	-		
<i>Older participants</i>	<i>215,000 employed individuals aged 50+, 2005 (Annual Population Survey)</i>	-		
<i>Participants with work-limiting health condition or disability</i>	<i>107,000 employed disabled individuals aged 16+, 2005 (Annual Population Survey)</i>	-		
<i>Lone parents</i>	<i>Not available</i>	-		

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Participants entering further learning – Economically inactive and unemployed</b>	<i>157,000 working age individuals enrolled on full or part time education course, 2005 (Annual Population Survey)</i>	<b>30,000</b>	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	<i>157,000 working age individuals enrolled on full or part time education course, 2005 (Annual Population Survey)</i>	-		
<i>Unemployed**</i>	<i>157,000 working age individuals enrolled on full or part time education course, 2005 (Annual Population Survey)</i>	-		
<i>NEET participants</i>	<i>49,700 16-19 year olds enrolled at FEIs or sixth forms during the 2004/05 academic year (WAG) 13,300 18-19 year old students at UK HEIs in 2005/06 (HESA)</i>	-		
<i>Female participants</i>	<i>Not available</i>	-		
<i>BME participants</i>	<i>4,000 working age BME individuals enrolled on full or part time education course, 2005 (Annual Population Survey)</i>	-		
<i>Older participants</i>	<i>11,000 individuals aged 50 to statutory retirement age enrolled on full or part time education course, 2005 (Annual Population Survey)</i>	-		
<i>Participants with work-limiting health condition or disability</i>	<i>19,000 working age disabled individuals enrolled on full or part time education course, 2005 (Annual Population Survey)</i>	-		
<i>Lone parents</i>	<i>Not available</i>	-		

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<b>Participants gaining other positive outcomes<sup>16</sup> – Economically inactive and unemployed</b>	N/A	<b>30,000</b>	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	N/A	-		
<i>Unemployed**</i>	N/A	-		
<i>NEET participants</i>	N/A	-		
<i>Female participants</i>	N/A	-		
<i>BME participants</i>	N/A	-		
<i>Older participants</i>	N/A	-		
<i>Participants with work-limiting health condition or disability</i>	N/A	-		
<i>Lone parents</i>	N/A	-		

<sup>16</sup> Positive outcomes are intermediary outcomes including: completing courses; entering voluntary work; and attending a job interview.

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Workplace health programmes</b>	<i>N/A</i>	<b>200</b>	Project information	Annual reports and PMC meetings
<b>Employers adopting or improving equality and diversity strategies and monitoring systems</b>	<i>N/A</i>	<b>50%</b>	Individual employer information	Annual reports and PMC meetings

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Impact</b>				

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
Participants in employment at 12 months	N/A	-	Evaluation	Annually from 2009
<i>Key intervention groups:</i>				
<i>Economically inactive</i>	N/A	-		
<i>Unemployed**</i>	N/A	-		
<i>Employed<sup>17</sup></i>	N/A	-		
<i>Female participants</i>	N/A	-		
<i>NEET participants</i>	N/A	-		
<i>BME participants</i>	N/A	-		
<i>Older participants</i>	N/A	-		
<i>Participants with work-limiting health condition or disability</i>	N/A	-		
<i>Lone parents</i>	N/A	-		

<sup>17</sup> This refers to employed participants accessing Theme 2 support to enable them to remain in employment

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

\*Economically inactive figures in the baseline include students

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

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

Output	Result	Impact
Projects		
Participants (Economically inactive and unemployed)	Participants entering employment	Participants in employment at 12 months
	Participants gaining qualifications	
	Participants entering further learning	
	Participants gaining other positive outcomes	
Participants (Employed)		Participants in employment at 12 months
Employers assisted or financially supported	Employers adopting or improving equality and	

	diversity strategies and monitoring systems	
Participants who receive support with caring responsibilities		
Collaboration between employers and health sectors	Workplace health programmes	
Projects using soft outcome measurement systems		
Projects integrating sustainable development into awareness raising, education and training programmes		

### Priority 3

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

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

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

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

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<b>Outputs</b>				
<b>Total participants (Employed)</b>	<i>797,000 employed individuals aged 16+, 2005 (Annual Population Survey)</i>	<b>90,000</b>	Individual participant information	Annual reports and PMC meetings
<b>Female participants</b>	<i>377,000 employed female individuals aged 16+, 2005 (Annual Population Survey)</i>	<b>66%</b>	Individual participant information	Annual reports and PMC meetings

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<i>Key intervention groups:</i>				
<i>Older participants</i>	<i>215,000 employed individuals aged 50+, 2005 (Annual Population Survey)</i>	<b>30%</b>	Individual participant information	Annual reports and PMC meetings
<i>BME participants</i>	<i>9,000 non-white employed individuals aged 16+, 2005 (Annual Population Survey)</i>	-		
<i>Participants with work-limiting health condition or disability</i>	<i>107,000 disabled employed individuals aged 16+, 2005 (Annual Population Survey)</i>	<b>13%</b>		
<i>Participants accessing basic skills qualifications</i>	<i>Not available</i>	<b>45%</b>		
<i>Participants accessing Level 2 training</i>	<i>241,000 employed individuals aged 16+ with no qualifications or with qualifications below Level 2, 2005 (Annual Population Survey)</i>	<b>30%</b>		
<i>Participants accessing Level 3 training</i>	<i>432,000 employed individuals aged 16+ with no qualifications or with qualifications below Level 3, 2005 (Annual Population Survey)</i>	<b>15%</b>		
<i>Participants accessing Level 4 and above training</i>	<i>585,000 employed individuals aged 16+ with no qualifications or with qualifications below Level 4, 2005 (Annual Population Survey)</i>	<b>10%</b>		
<i>Female participants who work part-time</i>	<i>167,000 part-time employed female individuals aged 16+, 2006 (Stats Wales)</i>	<b>29%</b>		

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Employers assisted or financially supported</b>	<i>102,500 enterprises active, 2003 (WAG, 2004)</i>	<b>15,000</b>	Individual employer information	Annual reports and PMC meetings
<b>Research studies</b>	<i>N/A</i>	-	Project information	Annual reports and PMC meetings
<b>Learning and development strategies</b>	<i>N/A</i>	-	Project information	Annual reports and PMC meetings
<b>Projects delivering specialist training in sustainable development</b>	<i>N/A</i>	<b>10%</b>	Management information	Annual reports and PMC meetings
<b><i>Results</i></b>				

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Participants gaining qualifications - Employed</b>	<i>701,000 employed individuals aged 16+ with qualifications, 2005 (Annual Population Survey)</i>	<b>37,530</b>	Individual participant information	Annual reports and PMC meetings

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<i>Qualification levels gained:</i>	<i>Number of employed individuals aged 16+ with qualifications at:</i>		Individual participant information	Annual reports and PMC meetings
<i>Basic skills</i>	<i>Below Level 2 – 145,000</i>	<b>54%</b> <sup>18</sup>		
<i>-Female</i>	<i>(Evidence from current Welsh Assembly Government skills programmes also suggests that around 30-50 per cent of those who achieve qualifications, achieve qualifications at up to and including Level 1)</i>	-		
<i>-Older participants</i>		-		
<i>-BME participants</i>		-		
<i>-Participants with work-limiting health condition or disability</i>		-		
<i>- Female participants who work part-time</i>		-		
<i>At Level 2</i>	<i>Level 2 – 191,000</i>	<b>29%</b> <sup>19</sup>		
<i>-Female</i>	<i>(Evidence from current Welsh Assembly Government skills programmes also suggests that around 15-30 per cent of those who achieve qualifications, achieve qualifications at Level 2)</i>	-		
<i>-Older participants</i>		-		
<i>-BME participants</i>		-		
<i>-Participants with work-limiting health condition or disability</i>		-		
<i>- Female participants who work part-time</i>		-		

<sup>18</sup> This equates to an attainment level of 50 per cent for those accessing basic skills qualifications

<sup>19</sup> This equates to an attainment level of 41 per cent for those accessing level 2 training

Indicator	Baseline	Target (2015)	Source of reporting data	Frequency of reporting
<i>At Level 3</i>	<i>Level 3 – 154,000</i>	<i>11%</i> <sup>20</sup>		
<i>-Female</i>	<i>(Evidence from current Welsh Assembly Government</i>	<i>-</i>		
<i>-Older participants</i>	<i>skills programmes also suggests that around 15-30</i>	<i>-</i>		
<i>-BME participants</i>	<i>per cent of those who achieve qualifications, achieve</i>	<i>-</i>		
<i>-Participants with work-</i>	<i>qualifications at Level 3)</i>	<i>-</i>		
<i>limiting health condition or</i>				
<i>disability</i>				
<i>- Female</i>				
<i>participants who</i>				
<i>work part-time</i>				
<i>Level 4 and above</i>	<i>Level 4 and above – 211,000 (Annual Population</i>	<i>6%</i> <sup>21</sup>		
<i>-Female</i>	<i>Survey, 2005)</i>	<i>-</i>		
<i>-Older participants</i>	<i>(Evidence from current Welsh Assembly Government</i>	<i>-</i>		
<i>-BME participants</i>	<i>skills programmes also suggests that around 0-10 per</i>	<i>-</i>		
<i>-Participants with work-</i>	<i>cent of those who achieve qualifications, achieve</i>	<i>-</i>		
<i>limiting health condition or</i>	<i>qualifications at Level 4 and above)</i>	<i>-</i>		
<i>disability</i>				
<i>- Female</i>				
<i>participants who</i>				
<i>work part-time</i>				

<sup>20</sup> This equates to an attainment level of 30 per cent for those accessing level 3 training

<sup>21</sup> This equates to an attainment level of 25 per cent for those accessing level 4 and above training

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Participants entering further learning</b>	<i>Not available</i>		- Individual participant information	Annual reports and PMC meetings
<i>Key intervention group: Employed BME participants</i>	<i>Not available</i>			
<b>Progression schemes for women</b>	<i>N/A</i>		- Project information	Annual reports and PMC meetings
<b>Employers adopting or improving equality and diversity strategies and monitoring systems</b>	<i>N/A</i>	<b>50%</b>	Individual employer information	Annual reports and PMC meetings
<b>Impact</b>	-		-	
<b>Skills level of employment</b>	<i>N/A</i>		- Evaluation	Annually from 2009
<b>Pay level of employment</b>	<i>N/A</i>		- Evaluation	Annually from 2009
<b>Women in management</b>	<i>N/A</i>		- Evaluation	Annually from 2009
<b>Participants gaining part qualifications</b>	<i>N/A</i>		- Evaluation	Annually from 2009

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

<b>Output</b>	<b>Result</b>	<b>Impact</b>
Projects		
Participants ( <i>Employed</i> )	Participants gaining qualifications  Participants entering further learning	Skills level of employment  Pay level of employment  Women in management
Employers assisted or financially supported	Progression schemes for women  Employers adopting or improving equality and diversity strategies and monitoring systems	
Research studies		
Learning and development strategies		
Projects delivering specialist training in sustainable development		

## Priority 4

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

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

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

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

As this is a new area of activity, evaluation of this Priority will follow a two-stage approach. This Priority will therefore be subject to evaluation in 2010 and 2012.

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Outputs</b>				
<b>Total participants (employed)</b>	<i>230,000 individuals aged 16+ employed in the public sector, 2005 (Annual Population Survey)</i>	<b>7,500</b>	Individual participant information	Annual reports and PMC meetings

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Female participants</b>	<i>151,000 female individuals aged 16+ employed in the public sector, 2005 (Annual Population Survey)</i>  <i>42% of WAG senior managers are female, 2006 (WAG, 2007)</i>	<b>52%</b>	Individual participant information	Annual reports and PMC meetings
<i>Key intervention group:</i> <b>Public service managers</b>	<i>12% of the workforce of WAG are senior managers (WAG, 2007)</i>	<b>60%</b>	Individual participant information	Annual reports and PMC meetings
<b>Public service workforce</b>	<i>88% of the workforce of WAG are below senior manager level (WAG, 2007)</i>	<b>40%</b>		
<b>Dissemination initiatives</b>	<i>N/A</i>	<b>70</b>	Project information	Annual reports and PMC meetings
<b>Employers assisted or financially supported</b>	<i>N/A</i>	<b>60</b>	Individual employer information	Annual reports and PMC meetings
<b>Initiatives to support Local Service Board development</b>	<i>N/A</i>	<b>15</b>	Project information	Annual reports and PMC meetings
<b>Projects delivering specialist training in sustainable development</b>	<i>N/A</i>	<b>10%</b>	Management information	Annual reports and PMC meetings
<b>Results</b>				

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Collaborative agreements between public service bodies</b>	<i>N/A</i>	<b>20</b>	Project information	Annual reports and PMC meetings
<b>Sub-regional workforce planning &amp; development strategies</b>	<i>N/A</i>	<b>3</b>	Project information	Annual reports and PMC meetings
<b>Organisational learning and development strategies</b>	<i>N/A</i>	<b>25</b>	Project information	Annual reports and PMC meetings
<b>Participants completing courses - Employed</b>	<i>N/A</i>	<b>6,750</b>	Individual participant information	Annual reports and PMC meetings
<i>Key intervention groups:</i>				
<i>Public service managers</i>	<i>N/A</i>	-		
<i>Public service workforce</i>	<i>N/A</i>	-		
<i>Female participants</i>	<i>N/A</i>	-		
<b>Secondment placements</b>	<i>N/A</i>	<b>700</b>	Project information	Annual reports and PMC meetings

<b>Indicator</b>	<b>Baseline</b>	<b>Target (2015)</b>	<b>Source of reporting data</b>	<b>Frequency of reporting</b>
<b>Employers adopting or improving equality and diversity strategies and monitoring systems</b>	<i>N/A</i>	<b>50%</b>	Individual employer information	Annual reports and PMC meetings
<b>Employers adopting or improving Environmental Management Systems</b>	<i>N/A</i>	<b>75%</b>	Individual employer information	Annual reports and PMC meetings
<b>Impact</b>				
<b>Public service quality improvement</b>	<i>N/A</i>	-	Evaluation	<b>2010 and 2012</b>
<b>Increase in public service efficiency (including reduced costs of service delivery)</b>	<i>N/A</i>	-	Evaluation	<b>2010 and 2012</b>
<b>Citizen satisfaction with public services</b>	<i>N/A</i>	-	Evaluation	<b>2010 and 2012</b>

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

<b>Output</b>	<b>Result</b>	<b>Impact</b>
Projects		
Dissemination initiatives		Public service quality improvement  Increase in public service efficiency (including reduced costs of service delivery)  Citizen satisfaction with public services

Employers assisted or financially supported	<p>Collaborative agreements between public service bodies</p> <p>Learning and development strategies</p> <p>Secondment placements</p> <p>Employers adopting or improving equality and diversity strategies and monitoring systems</p> <p>Employers adopting or improving Environmental Management Systems</p>	<p>Public service quality improvement</p> <p>Increase in public service efficiency (including reduced costs of service delivery)</p> <p>Citizen satisfaction with public services</p>
Participants ( <i>Employed</i> )	<p>Participants gaining qualifications</p> <p>Participants completing courses</p>	<p>Public service quality improvement</p> <p>Increase in public service efficiency (including reduced costs of service delivery)</p> <p>Citizen satisfaction with public services</p>

<p>Initiatives to support Local Service Board development</p>		<p>Public service quality improvement</p> <p>Increase in public service efficiency (including reduced costs of service delivery)</p> <p>Citizen satisfaction with public services</p>
<p>Projects delivering specialist training in sustainable development</p>		

## **ESF Convergence Indicators – Brief Definitions**

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

### ***Basic skills qualifications***

Qualifications below Level 2

### ***BME participants***

The number of Black and Minority Ethnic participants.

### ***Childcare places taken up***

The number of childcare places provided or subsidised through this Programme taken up by individuals.

### ***Collaborative agreements between public service bodies***

The number of collaborative agreements between public service bodies secured through this Programme

### ***Dissemination initiatives***

Dissemination initiatives include seminars, workshops, presentations at conferences and other events and reports disseminating lessons learned.

### ***Economically inactive participants***

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

### ***Employers assisted or financially supported***

The number of employers that receive assistance or financial support, through this Programme.

### ***Initiatives to support Local Service Board development***

Number of initiatives developed to support Local Service Board development, funded by this Programme.

***NEET participants***

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

***Older participants***

The number of participants aged 50+.

***Organisational learning and development strategies***

The number of learning and development strategies developed by employers as a result of this Programme.

***Part qualifications***

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

***Participants***

The number of individuals participating in this Programme.

***Participants entering employment***

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

***Participants gaining qualifications***

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

***Participants gaining other positive outcomes***

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

***Participants entering further learning***

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

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

The number of participants receiving assistance individually tailored and delivered on a one-to-one basis for their work-limiting health conditions or disabilities.

***Participants receiving general assistance with work- limiting health conditions or disabilities***

The number of participants receiving assistance of a general nature and delivered on a less intensive basis for their work-limiting health conditions or disabilities.

***Progression schemes for women***

The number of progression schemes for women developed as a result of this Programme. For example, schemes that support women's career advancement.

***Projects using soft outcome measurement systems***

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

***Secondment placements***

The number of placements that are funded through this Programme. For example, placements that are delivered through the People Exchange Secondment Programme.

***Sub-regional workforce planning & development strategies***

The number of sub-regional strategies developed as a result of this Programme. These strategies will have been developed on a cross-sectoral basis aimed at improving workforce planning and raising the skills-base of the public service workforce.

***Systems developed***

The number of systems developed as a result of this Programme. For example, systems to identify and reduce the number of young people at risk of disaffection.

***Unemployed participants***

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

***Workplace health programmes***

The number of workplace health programmes developed as a result this Programme. For example, programmes to support employed people to manage work-limiting health conditions at work.

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

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

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

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

### **Environmental Sustainability**

Although not a statutory requirement, the completion of a Strategic Environmental Assessment (SEA) within the 2000-2006 programmes has been widely identified as an example of best practice. SEAs have also been completed on the ERDF Convergence and Competitiveness Structural Funds programmes 2007–2013 to be fully compliant with the SEA Directive which came into force in 2004.

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

- support provided for the development of the environmental goods and services sector of the Welsh economy;
- promoting the adoption of Environmental Management Systems by SMEs;
- prioritisation of developments on brownfield sites;
- promotion of high standards of environmental performance for new and refurbished buildings; and

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

- support for projects based on the sustainable use of the natural environment that made a significant contribution to sustainable development.

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

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

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

### **Equal Opportunities**

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

- a high number of new SMEs given advice owned by women, BME people and disabled people;
- significant numbers of additional childcare places created;
- a high percentage of initiatives addressing issues for disabled people, women and BME people;
- the reported percentage of BME people participating in the programmes was well above the working age population comparator; and

- a higher level of women supported through the programmes than would have been anticipated based upon their representation within the labour market generally.

The report also highlighted that more could have been achieved to encourage infrastructure development projects for childcare. Much of the funding has been spent on temporary crèche provision to support activities such as training. Furthermore, although the robustness of the data is open to question because of recording difficulties, participation rates for disabled people and Welsh speakers could also have been higher. More emphasis also needs to be placed on the more difficult issues around gender such as horizontal and vertical segregation and equal pay, from which project sponsors have tendered to steer away.

### **Improvements for future programmes.**

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

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