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Evaluating Objective 1 in Wales: the Experience of the Mid-Term Evaluation

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Introduction

The Objective 1 Programme for West Wales and the Valleys is one of a suite of EU Structural Fund programmes which run from January 2000 to December 2006 in Wales. The four Structural Funds² are the EU's principal tools for combating social and economic disparities within the Union and 'aim at reducing disparities between the levels of development of the various regions'³. Objective 1 is intended to 'promote the development and structural adjustment of regions whose development is lagging behind'⁴ and is targeted at regions with less than 75% of EU per capita GDP.

The Objective 1 Programme in Wales channels just over €1.8 billion (around £1.2 billion) of funding into the West Wales and the Valleys region (which covers two thirds of Wales' land area) over the seven year period. Since this funding has to be matched by other public, private or voluntary sector bodies, the total spending under the aegis of the Programme is expected to be around £2.5 billion. The Programme also sets itself some ambitious targets including three headline objectives:

- to contribute to boosting per capita GDP in West Wales and the Valleys (to 78% of the UK average by 2006).
- to help towards the National Economic Development Strategy's (NEDS) goal of creating 72,000 new (net) jobs in West Wales and the Valleys by contributing to projects which create approximately 43,500 new (net) jobs.
- to contribute to meeting the NEDS target of reducing economic inactivity (i.e. people of working age not in employment) by 53,000 by 2006.

An independent Mid-term Evaluation of the Programme is a legal requirement of the European Union⁵, but is the responsibility of the Managing Authority – in the case of Wales, the Welsh European Funding Office (WEFO), an executive agency of the Welsh Assembly Government.

The Mid-term Evaluation of the EU's Objective 1 Programme for West Wales and the Valleys took place between September 2002 and August 2003. The Evaluation was undertaken by a consortium directed by CRG Research Ltd, and managed by Old Bell 3 Economic Development and European

Services.

This paper considers the task involved, the method employed, the conclusions and recommendations and whether these are, in fact, making any difference to the way in which the Programme – the largest Structural Fund Programme in the UK – is being implemented. The full Mid-term Evaluation report can be found at www.wefo.wales.gov.uk.

The Mid-term Evaluation: Aims and Challenges

The European Commission's intention is for mid-term evaluations to be formative, the overall aims and objectives being to:

- 'Comment on whether and to what extent the programme strategy... is still relevant to the socio-economic circumstances of the area and consistent with the Regional Strategy;
- Establish the progress which the Programme is making toward achieving its objectives...;
- Assess the quality and effectiveness of the programme's implementation and management;
- Examine the results achieved for the indicators used by the Performance Reserve;
- Comment on the effectiveness of the implementation of the strategies for the cross cutting issues of Equal Opportunities, the Information Society and Environmental Sustainability.⁶

Even without having to tackle the issue of impact, the context for the Evaluation presented some major challenges:

- The wide range of activities covered by the Programme: the Programme provides funding for business support, for research and development, community economic development in the most deprived communities of the region, vocational and pre-vocational training and for training infrastructure. In addition there are rural development measures, including agricultural diversification, the promotion of rural economic development and protection of the environment and biodiversity, marine and inland fisheries, industrial sites and premises, and transport,

environmental and energy infrastructure.

- The extreme politicisation of the Programme: in the past, the Structural Funds in the UK have generally been far from the public eye. However, the Objective 1 Programme in Wales has been at the centre of political controversy since it was announced (which coincided with political devolution and the creation of the National Assembly for Wales). There were early issues and debates over match funding and the Programme has continued to be controversial with Government and Opposition exchanging claims over whether or not it is succeeding, and business organisations, in particular, claiming that public sector bureaucracies were stifling the Programme. Moreover, the timescale set for the Evaluation meant that most of the fieldwork would be taking place in the run up to the elections to the National Assembly on 1 May 2003.
- The complexity of the delivery arrangements: in line with other past and present Structural Fund Programmes in the UK, the Programme is largely implemented on a 'bottom-up' basis, with public, private and voluntary sector bodies invited to put forward projects – which can range from small community development projects with a budget of £5,000, to 'projects' such as Finance Wales's loans fund for the Objective 1 region, with a three-year budget of £24 million. In itself, this presented a major challenge: at the start of the Evaluation more than 600 individual projects had been approved. However the process by which projects were developed and appraised was also complex, with an overlapping structure of 15 local and 1 regional (or thematic) partnerships, responsible for stimulating project ideas and for assessing their 'fit' with relevant strategies (each with rights and responsibilities in terms of consulting each other) and a further four 'Strategy Partnerships' charged, along with WEFO itself, with making the final decisions on whether or not projects should be funded.

- The complex framework of targets: reflecting the diversity of the Programme, there were a huge number and range of quantitative targets which were set at Programme, Priority and Measure level⁷.
- Timescales: because of the requirement for the Mid-term Evaluations to be completed before December 2003, and the need to ensure that the Programme was well underway before trying to evaluate it, the timescale of the Evaluation was less than a year.

The Mid-term Evaluation: Method

The method proposed by the research team was aimed at addressing the 'key tasks' which the evaluation set:

- The continued relevance of the programme strategy and the need for changes, if any, in the delivery of the programme.
- The integration of the cross-cutting themes (equal opportunities, information society and environmental sustainability) into the Programme.
- Progress towards the quantified targets.
- Progress towards the programme impacts.
- Progress against the performance reserve indicators.
- Effectiveness of the Programme processes.
- Further benefits, including community added value, of the Programme.

The driving concern was to try to triangulate the data and to ensure that, in contrast to many other Structural Funds evaluations, the Evaluation did not simply reflect the received wisdom of the core partners involved with the overall management of the Programme.

The evaluation method was thus based around three key elements:

- A desk-based analysis of documents and data. This involved a macro-economic analysis of the changes in the Welsh economy since the Programme was developed (in 1998 – 9), an analysis of policy development in Wales since 1999 to investigate whether there were any inconsistencies between the Programme strategy and emerging national policies and whether Objective 1 was being employed as a tool to realise wider policy objectives, and analysis of aggregate data on financial commitments and spend,⁸ and promised and actual outputs

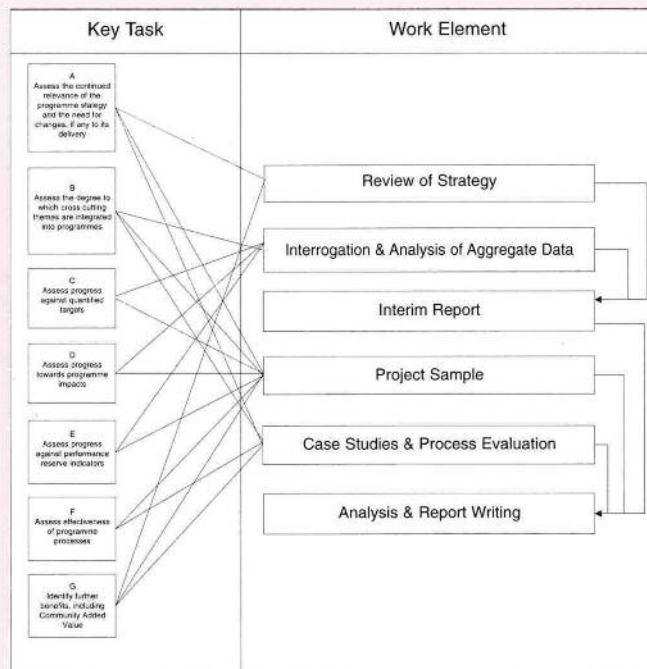
from projects which were being funded.

- A detailed examination of a sample of projects which had been approved. The original preferred option from the evaluation team was for 110 projects (out of 600+ approved) but in the event it was agreed to scale this back to 60 small or medium sized projects and 6 large projects, selected from across the Programme's measures and designed to cover the widest possible range of project promoters, sponsoring partnerships, location and size. In each case, the work involved a member of the team visiting the relevant WEFO office to read the project files, conducting a face-to-face interview with the relevant WEFO case-officer, interviewing (by phone or face-to-face) the secretariat of the relevant partnership which had had lead responsibility for processing the application and visiting the project and interviewing key project staff. This process aimed to provide not only detailed information about the Programme's processes in terms of generating awareness, managing applications and ongoing monitoring of, and support to, project implementation, but also to compare projects' understanding of, and progress towards, the targets set for their project with the data recorded on WEFO's database, thus providing some insight into actual performance and potential impact of the projects being funded.
- A 'process evaluation'. This involved a survey of all members of local and

regional partnerships (in all 280 individuals or 53% responded), followed up by face-to-face interviews with 46 individuals (members of partnerships, secretariat staff and WEFO representatives) drawn from five partnerships, as well as face-to-face interviews with members of, and advisers to, the Programme Monitoring Committee (a partnership body charged with overseeing the implementation of the Programme) and other key individuals involved with the implementation of the Programme.

The Method ensured that each of the key tasks was informed by at least two sources of data. For example, the credibility of the aggregate data (much of which at the mid-term stage related inevitably to forecast outcomes, rather than to actual outcomes) was examined in the light of the experience of the project sample. Hence the views of those at the centre of the Programme management structure were able to be set against the views of those involved 'lower down' the programme management hierarchy, and both contrasted with the experience of those 'on the receiving end' – i.e. project promoters. The credibility of the claims on project applications about the implementation of cross-cutting themes could be checked, in the case of individual projects in the sample, against what was actually happening in terms of implementation. The relationship between key tasks and the different elements of the work programmes is illustrated by Figure 1.

Figure 1: Relationship between Key Tasks and Methodology



The Mid-term Evaluation: Conclusions

The Evaluation was achieved on time, and to budget. The draft report was generally well-received by the Programme Monitoring Committee and the European Commission and resulted in only relatively minor changes between the draft final report and the final report.

In overall terms, the key conclusions of the evaluation were as follows:

- There were no major inconsistencies between wider UK and Welsh strategies as they had developed and the Programme itself, but this appeared to reflect a co-incidence of analysis rather than close integration between the domestic policy agenda and the implementation of the Programme. Large parts of Programme implementation were not strategy-led, but consisted of piecemeal 'bottom-up' projects.
- At the same time, there was a lack of mechanisms to learn from experience of projects. This meant that the Programme ran the risk of falling between two stools, with little of the compensating advantages from policy experimentation that might flow from a 'bottom-up' approach.
- The Programme was making relatively good progress in terms of 'spending the money', and there was relatively little evidence of a consistent pattern of under spending by projects. In terms of outputs, there was some evidence that projects were underperforming compared to forecasts (particularly when WEFO definitions were accurately applied, as they were not in many cases), meaning that value for money was often less than suggested by the headline data. Nevertheless, there was a step forward in the credibility of the data compared to previous Structural Fund Programmes in Wales, thanks to more robust definitions of key outputs. There was fairly consistent evidence of some shortfall between job outputs forecast and targets in all parts of the Programme apart from Priority 1 (which relates to business support).
- The sheer range and volume of targets was risking overwhelming management systems and needed review and simplification.
- The overall targets for the Programme (in terms of GDP, employment, inactivity) were challenging both methodologically and practically.

- The project selection and appraisal processes were thorough but lengthy and convoluted. There was relatively little evidence from the point of view of projects that the partnerships were adding value, while most partnership members thought that the system was too bureaucratic, while believing their own partnership was working well.
- Despite serious concerns over the programme management structures, most of those involved felt that there were very positive 'spin-offs' of partnership working, in terms of better understanding between the public, private and voluntary sectors.
- The question of the 'additionality' of Objective 1 funding (the extent to which it was funding activity which would otherwise not take place) was complex. In many cases European funding was being used to enhance the quality and intensity of activities, rather than to generate wholly additional outputs. For example, a project for which European funding had provided tutorial support for part-time students at a College, aiding retention and achievement, but where all the students covered were counted as beneficiaries, even though the basic costs of their courses were provided by the College's core funding. This has important implications for assessing net impacts.

In all, the evaluation made over 50 recommendations. The main recommendations for the Programme Monitoring Committee included:

- Encouraging the Welsh Assembly Government and Assembly Sponsored Public Bodies (ASPBs) to address more specifically the role of Objective 1 as a delivery mechanism for high-level strategies, and continuing to encourage partnerships to identify gaps and stimulate new project development.
- Revisiting the Programme target for GDP growth and recognising that the target for net employment growth is extremely challenging.
- Simplifying further the structure of targets within the SPD and the revised Programme Complement and revisiting Priority-level targets for job-creation.
- Making limited virements to increase funding available to several Measure where there had been heavy demand on resources, subject to safeguards that these additional resources are used more strategically.
- Encouraging and providing resources for partnerships to provide more proactive support to projects during

implementation ('aftercare').

- Simplifying the structure of partnerships and taking a number of steps intended to speed up the project application and appraisal process.
- Issuing clearer guidance requiring project-level evaluation for larger projects.

The Mid-term Evaluation: Impact

Writing a number of months after the end of the Mid-term Evaluation, it is interesting to consider how, if at all, these key recommendations have been implemented, and, a more difficult question, how far the changes which have been made to the Programme are the result of the Evaluation's conclusions⁹.

- Strategic integration: this is certainly an area where the Evaluation has stimulated a greater emphasis on large, framework projects promoted by the Welsh Assembly Government and the Assembly Sponsored Public Bodies. However, it might be argued that, in this area, the Welsh Assembly Government 'got what it wanted' in terms of recommendations, as it was clear to the evaluation team that the view of officials was that the Programme needed to be more strategic. It is possible to go even further and argue that what had changed from the time when the Programme was first written was not the view of Assembly officials, but the willingness of others (particularly the local authorities and the voluntary sector) to accept that large parts of the Programme needed this 'top-down' approach. In this sense, the Evaluation simply provided a mirror to an emerging policy consensus on the need for rebalancing the Programme.
- Revisiting the headline Programme targets: The Programme Monitoring Committee has not formally revised the headline targets. However, in the 'refresh' of the National Economic Development Strategy, 'A Winning Wales' in October 2003, the Welsh Assembly Government made clear that the goals to which these were related were not to be regarded as targets, but were aspirational.
- Simplifying the structure of targets and revisiting Priority-level targets for job-creation: The Mid-term Review (the formal submission to the European Commission requesting changes in the Programme) proposed re-allocation of the job-creation targets in line with the recommendations. A process of

rationalisation of the overall structure of targets is being taken forward, although one key element of the recommendation – recognising that not all projects will have quantifiable targets which fit with higher-level Programme targets – was not taken forward because it would ‘create recording/database difficulties’¹⁰.

- Making limited virements subject to safeguards that these additional resources are used more strategically: these recommendations have been almost completely implemented. However, here again the recommendations were essentially pragmatic (i.e. releasing more resource for policy areas where there was clear demand, cutting funding to areas where it looked unlikely that spend could be achieved, even with intensive project development activity), and might have been thought broadly in line with what Programme managers would have wanted to see.

- Encouraging and providing resources for partnerships to provide more proactive support to projects during implementation (‘aftercare’): again, this is being taken forward. Guidance to partnerships was issued in July 2003, shortly after the publication of the draft report, and this has been followed up by more detailed guidance and training. This is an area where those implementing the Programme (in WEFO or the partnerships) did not register strong concerns during the Evaluation: it was rather the evaluators themselves and the evidence from the project sample which drove these conclusions. This would appear to be an area where the Evaluation has made a real difference to programme implementation – if the guidance is implemented and resourced.

- Simplifying the structure of partnerships and taking a number of steps intended to speed up the project application and appraisal process: again, significant changes have been made, including disbanding of the regional and strategy partnerships and creation of Thematic Advisory Groups. These changes are generally in line with the thrust of the Mid-term Evaluation’s conclusions (although they go further in some instances, such as dropping the requirement for every project to be brought forward through one lead partnership). However, it would certainly be possible to argue that these changes were developed in parallel with, rather than as a result of, the Evaluation. WEFO’s proposals were put to the Programme

Monitoring Committee at the same meeting in June 2003 at which the draft final report was presented¹¹. Set against this, it might be argued that the emerging results of the Evaluation resonated with the thinking of WEFO and the Welsh Assembly Government.

- Issuing clearer guidance requiring project-level evaluation for larger projects: this is happening, and is probably attributable to the Evaluation. At the same time, it is likely that as more and more projects which were funded under the early stages of the Programme submitted proposals for continuation projects, WEFO would have become increasingly aware of, and concerned about, this lack of an evaluation culture.

Conclusion: Did it make a difference?

From this brief overview, it would appear that the majority of the key recommendations of the Mid-term Evaluation have been or are being implemented. This is encouraging. However, such a conclusion does need a number of caveats, some of which may appear banal:

- An evaluation of a Programme which is as controversial as the Objective 1 Programme for West Wales and the Valleys has to be thorough, well-resourced and deliberately lacking in drama. It is also essential for the evaluators to be honest about what degrees of certainty can be attached to conclusions – even where this means that they must be highly qualified.
- Trust between the client and contractor is essential, even where (as in this case) there is little opportunity to achieve wider buy-in. A key element of building trust is again, realism on resources and timescale and delivering within the parameters set.
- It needs to be recognised that there is an inevitable interplay between evaluators and those making and implementing policy. In an evaluation such as this, lasting nearly a year, the effect on programme management is not only at the end of the process. Rather programme managers will tend to adjust their thinking and their practice to address problems and issues which are emerging as a result of the questions asked by the evaluators, so that, by the time of the final report, several of the key recommendations may already have been addressed.

- Ultimately, whether recommendations are implemented will depend on the extent to which they ‘go with the grain’ of emerging thinking on the part of key stakeholders. Nevertheless, evaluations can still make a significant difference in the precise nature of changes on major issues and also on issues which may not be high on the agenda of programme managers, but which appear to be of significance to the evaluators themselves.

End notes

1. Gareth Williams runs his own economic development consultancy, Old Bell 3 Economic Development and European Services (email Oldbell3@aol.com). He was the project manager for the Mid-term Evaluation of the Objective 1 Programme, on behalf of a consortium led by CRG Research Ltd.

2. The European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF), and the Financial Instrument for Fisheries Guidance (FIFG).

3. Treaty on European Union, Art. 130(a).

4. Council Regulation (EC) laying down general provisions on the Structural Funds, 1260/1999 Art. 1.

5. Council Regulation (EC) laying down general provisions on the Structural Funds, 1260/1999.

6. Invitation to Tender, WEFO – see Final Report.

7. The Programme is divided into 7 Priorities – broad thematic areas – and, below these Priorities, 37 Measures, each of which has a financial allocation and a set of targets.

8. European grant is normally paid in arrears, once proof of expenditure has been provided. Financial commitments are the total grant offered and accepted by projects underway or completed: payments reflect grant actually paid out to projects on the receipt and authorisation of claims.

9. A Paper to the March Objective 1 Programme Monitoring Committee – PMC (04) 06 – provides details on the implementation of recommendations. See www.wefo.wales.gov.uk

10. Ibid.

11. See papers of PMC meeting on 27 June 2003 at www.wefo.wales.gov.uk