

FIN(4)-02-12 Paper 1

Inquiry into the effectiveness of current EU Structural Funds programmes 2007-2013 led by the Finance Committee of the Welsh National Assembly – Contribution from DG EMPL

To what extent does the European Commission consider the Convergence and Regional Competitiveness and Employment Programmes in Wales for the 2007-13 period, to have achieved- or to be achieving- their intended objectives?

To date some 84% of the four programmes (2 ESF, 2 ERDF) has been committed to 253 projects with a pipeline of projects to ensure that full commitment will be achieved. The total cost of these approved projects is £3.2 billion with an EU contribution of £1.6 billion.

Total certified expenditure stands at £536m (27% of the available resources) and all N+2 expenditure targets, to date, have been met.

Based on payment claims submitted to and authorised by WEFO, total expenditure is over £1 billion (EU funds £536m, 27% of EU available resources).

Very good progress is being made towards a range of programme level indicators and key achievements to date include for the ESF Programmes

- 279,000 participants supported through ESF programmes
- 33,600 participants entering employment
- 80,700 participants gaining a qualification
- 28,250 participants entering further learning

DG EMPL is monitoring closely the financial and physical achievements of the programmes and is kept regularly informed by WEFO (mainly via the PMC reports, the Annual report and the Annual examination meeting).

Overview as provided to Monitoring Committee of December 2011

ESF Convergence

i) Commitment and Approvals

The Programme is well on target in respect of commitment with over 90% of the EU allocation already committed and 76 projects approved. In addition, the pipeline is strong with a range of projects offering good enough strategic fit to Programme objectives to ensure full commitment and spend.

At 98% Priority 1 is virtually fully committed; with Priorities 2 and 3 also securing high commitment levels of 94% and 89% respectively. Priorities 4 and 5 lag slightly behind at 64% and 57% committed and proposals to vire funding out of these Priorities into

more active areas of the Programme to secure full commitment and spend are currently being negotiated with the Commission.

This represents a robust performance for the Programme, which since the start of implementation in 2007 has had to adapt to the impact of the recent recession and a major shift in the policy and landscape of employment support with the introduction of the UK Government's Work Programme.

ii) Results

Good progress is being made against a range of the Programme-level indicators with:

- approximately 85% of the total participant target already met,
- 95% of the target for participants entering employment secured; and
- 84% of the target for participants gaining qualifications already achieved.

Good progress is also being made against the targets for female participation and entering further learning. At 44% female participation is close to the Programme target of 55%, and over 45% of the target for participants entering further learning has been achieved

The 35,000 participant target for Priority 1 has already been exceeded and the Priority is making good progress at 74% towards a target of 10,500 participants securing qualifications and at 55%, of 21,000 participants entering further learning. Both targets are forecast to be achieved.

Priority 2 is making excellent progress with 84% of the overall participant target already met. High levels of performance are also being secured with 95% of the 27,500 target for participants entering employment and 93% of the 31,500 target for participants securing qualifications already achieved.

Priority 3 is making progress with 64% of the 90,000 participant target already met. Good progress at 79% is being made towards a target of 37,530 participants securing a qualification.

Priority 4 sets out to improve public sector services and as such represents a new area for ESF support. Its performance has been subject to a slow start and a more of a focus on the collaborative agenda than on raising the skills profile of the public sector workforce as originally envisaged. Currently, 26% of the participant target is being forecast to be achieved, along with over 100% of the targets for dissemination initiatives, employers assisted or financially supported, initiatives to support Local Service Board development, collaborative agreements between public service bodies and organisational learning and development strategies.

ESF Competitiveness

i) Commitment and Approvals

The Programme is well on target with commitment at 98% of the EU allocation and 22 projects approved. In addition, the pipeline is strong with a range of projects offering good enough strategic fit to Programme objectives to ensure full commitment and spend.

ii) Results

Good progress is being made against a range of Programme-level indicators with:-

- the targets for participants and participants entering employment already met; and
- nearly 90% of the target for participants gaining qualifications secured.

The 14,000 participant target and the 3,500 target for participants entering employment for Priority 1 have already been exceeded. Good progress at 78% is also being made towards the target of 4,200 participants gaining a qualification.

The 12,600 participant target for Priority 2 has been exceeded and nearly 100% of the 5,450 target for participants gaining a qualification has already been achieved.

In conclusion, targets for both ESF programmes are being re-negotiated with the European Commission. The majority of targets are being increased to reflect both the high performance to date and the high levels of future activity forecast by approved projects and those in the pipeline. A small number of targets are being reduced to reflect the refocus of Programme activity to address shifts in the labour market and address the increase in levels of youth unemployment.

Commitment levels

- WEFO has achieved all programme annual expenditure targets (n+2) to date, including this year's end of calendar year targets for the ESF programmes. This is despite the difficult economic climate and the challenges posed by the fluctuating exchange rate with the Euro.

Does the European Commission consider the various projects/actions funded by European Structural funds in Wales (for 2007-2013) to be delivering value for money?

- WEFO has adopted a strategic approach with a stronger focus on objectives, outputs and outcomes to secure a more effective use of the funding by avoiding waste and minimising duplication.
- Through a stronger emphasis on open and competitive procurement there is, at project level, an assurance that maximum value for money and benefit is achieved

- WEFO monitors project performance closely through regular project reviews meetings and de-commits funding from under-performing projects for re-cycling to new or approved projects.

The 2007-2013 programmes have made a significant contribution to addressing the impacts of the recession in Wales through schemes such as ProAct and ReAct,

Does the European Commission have any concerns about the availability of public sector match funding in Wales or in the use of the Welsh Governments Targeted Match Fund?

Public match funding is turning out to be a critical issue across Europe for structural funds programmes owing to the economic downturn and the effects of the financial crisis. The Comprehensive Spending Review which was implemented as a result of the public finance deficit in the UK led to a significant reduction of WAG budget. Members of the Committee are aware that the budget has been substantially reduced and will be under continued pressure in the coming years. However, WEFO is confident that existing commitments will be honoured.

- WEFO closely monitors the match funding position of each project at its review meetings with sponsors.
- WEFO will consider the possibility of front or back loading structural fund payments to projects, and reviewing the project intervention rates on individual case by case basis.
- WEFO agreed revised EU intervention rates with the European Commission in 2009 – this allows greater flexibility to mitigate potential match funding pressures.
- The All Wales Programme Monitoring Committee is kept informed of the impact of the Comprehensive Spending Review on match funding.
- The Welsh Government has committed a match funding pot of ‘last resort’ called Targeted Match Funding to match-fund projects which struggle to secure appropriate match funding from other sources.
- WEFO agreed revised EU intervention rates with the European Commission in 2009 – this allows greater flexibility to mitigate potential match funding pressures. However whilst higher intervention rates were agreed with the Commission as part of its support to the economic recession, the Welsh Programmes have been able to continue to secure match-funding.

How effectively does the European Commission believe the Welsh European Funding Office (WEFO) have monitored and evaluated the impact of projects?

The evaluation and monitoring systems implemented by WEFO are regarded by EMPL as cases of good practice. Regular meetings with projects sponsors enable WEFO to keep track of the projects' physical and financial performance. The Evaluations are supervised by an Evaluation Committee, where Commission representatives together with programme partners participate.

- WEFO has strengthened the evaluation arrangements for 2007 -13 programmes at programme and project level, building on lessons learned from the evaluation of the 2000–06 programmes.
- Progress of programmes is monitored through a comprehensive set of indicators at priority level covering activities and results. Impacts are measured through evaluation activity.
- WEFO also uses *tracking* indicators - provide the overall context for assessing progress in each region. These include economic data, labour market data, innovation, skills, enterprise as well as data on social cohesion.
- There is clear guidance for project sponsors on how outputs and results should be reported and this is reinforced at regular project review meetings.
- The participant database, for ESF, allows WEFO to track the journey undertaken by participants as they progress from unemployment / inactivity to employment.

Does the European Commission have any concerns regarding the sustainability beyond 2013 of the activities and outputs delivered through projects financed during the current round of Structural Funds?

- All Welsh projects are required to address the future sustainability of their activities as part of the business planning process. Not all projects will be sustainable as evaluations will indicate which interventions best meet Programme objectives.
- Investments in training and up-skilling people intend to deliver long-term benefits.
- In line with EC regulations, EU funds exist to add value to strategies for growth and jobs, and not to support the core activities of organisations.
- Benefits of the delivery of the programmes and projects will still accrue after the Funds have been spent – for example through the long-term investment in people through training and up-skilling.

Does the European Commission consider the private sector to be sufficiently engaged in accessing European Structural Funding in Wales? How does Wales compare to other parts of the EU in terms of engaging the private sector in the EU Structural Funds programmes?

- Delivery of programmes is focused on supporting businesses and helping people into work and training, but WEFO focuses more on who the beneficiaries are rather than who leads the project.

- Despite being encouraged to come forward with innovative proposals, there are few private sector led projects. Consideration clearly needs to be given to how best to engage the private sector more extensively going forward. As part of the development of the post 2013 programmes it will be important to explore how the EC's proposed simplification measures can be maximised to encourage participation.
- Public sector organisations frequently act as the conduit for the private sector to obtain flexible and easy access to EU funds.
- At 31 December 2011, the estimated value of procured delivery contracts for approved projects (ERDF + ESF) is £1 billion. Those projects with completed procurement exercises have awarded contracts worth some £700m to organisations, of which £380m is to private sector organisations and £107m to the third sector.

In 2009, WEFO negotiated an increase in programme intervention rates with the European Commission for the two ERDF and the ESF Convergence Programmes. In its July 2010 report, the Enterprise and Learning Committee noted that the South West Regional Development Agency had negotiated higher intervention rates with the European Commission. Is Wales making the most effective use of increased programme intervention rates?

- WEFO agreed revised EU intervention rates with the European Commission in 2009 – allowing greater flexibility to mitigate potential match funding pressures.
- However, whilst higher intervention rates were agreed with the Commission as part of its positive support to the economic recession, the Welsh Programmes have been able to continue to secure match-funding, as such higher intervention rates have only been considered as an exception rather than the rule when appropriate match funding can not be leveraged into the project but the overall impact of the project has been assessed sufficient enough to warrant a higher intervention rate.
- As such WEFO has been able to secure the overall size and scale of the Programmes.