

**GOVERNMENT OFFICE FOR THE SOUTH WEST**

**EX-ANTE EVALUATION OF THE  
SOUTH WEST ENGLAND  
REGIONAL COMPETITIVENESS AND EMPLOYMENT  
ERDF PROGRAMME 2007-13**

**FINAL REPORT**

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**Fraser Associates**  
*Management and Economics Consultants*

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## 0 EXECUTIVE SUMMARY

Work has been proceeding on the preparation of the Programme Document for the South West of England Regional Competitiveness and Employment ERDF Programme 2007-13 since Spring 2006. Fraser Associates was engaged to undertake an integrated Ex-ante Evaluation and Strategic Environmental Assessment in July 2006.

We have enjoyed a cordial and constructive dialogue with the client throughout and have been favourably impressed by the client's serious approach.

The ex-ante evaluators reviewed the consultation draft in November 2006 and, alongside much good work, identified a number of areas requiring strengthening. We did not see a further full draft until late March. While it was apparent that an effort had been made to address the points raised in our review of the earlier draft, some of the more important issues had not been tackled in sufficient depth. There has subsequently been limited time to work through these issues in preparing the submission draft.

An intensive consultative process has been a distinctive feature of the preparation of the South West Competitiveness Programme and has helped in achieving partnership "buy-in". However, it is the evaluators' impression that this has contributed to slippage in the re-drafting of the Document and limited the time available to address the issues raised in the ex-ante evaluation.

There are a number of strengths to the draft Programme Document and its process of preparation. We would highlight in particular:

- it is well grounded in the relevant EU and UK policy contexts.
- it is predisposed towards innovation.
- there has been an effort to make choices, reflecting the limited resources that are available.
- there has been a very full consultation process the results of which have influenced the detail of the Document.
- there has been a substantive and participative SEA process.

The strategy was derived from an appreciation of the EU and UK policy context and its relevance to existing regional priorities. However, the evidence base analysis in the Programme Document does not yet provide full justification for the Priorities proposed and their constituent actions, notably in relation to:

- the target beneficiaries and potential for take-up of actions to address weakness in innovation and business development in the west of the region.
- the capacity in technology institutions and the business base to realise opportunities from growth in environmental technology and renewable energy markets.

For the most part, the evaluators believe that the proposals are capable of justification, either through better reference in the Priority rationales to the material that is present in the evidence base, or by strengthening the evidence base with material that is readily available.

The draft Programme Document requires strengthening in a number of technical areas:

- the SWOT analysis needs to lead to clear conclusions concerning the identity and weighting of the Priorities.
- the objectives need to be specified more clearly and quantified.
- the equal opportunities baseline requires strengthening and the proposals for addressing these groups needs to be more strongly integrated in the Priority Texts.
- there is a need to better differentiate the treatment of environmental sustainability as a horizontal and as a vertical issue, the strong horizontal approach reflected in the SEA statement needs to be better developed within the Priority Texts.
- the general approach to programme quantification is sound. The resolution of some inconsistencies should produce results and impacts targets that are achievable and represent reasonable value for money.
- the evaluators believe that the Programme offers considerable Community Added Value but, at present, no mention is made of this. It is important to draw out the distinctive contribution to regional economic development that the Funds will make and to ensure their visibility.

As with the justification of the strategy and actions, the evaluators believe that most of these shortcomings can be addressed fairly easily given time and a resolve to work through the issues thoroughly.

With the exception of the Chapter on Implementation Arrangements that is being negotiated separately, the evaluators consider that the draft Programme Document contains the necessary elements and represents a viable basis upon which to commence negotiations. Nevertheless we recommend that the Partners continue to work on the areas highlighted ahead of negotiations.

## 1 INTRODUCTION

### 1.1 General

Fraser Associates was commissioned in July 2006 to carry out the combined Ex-ante Evaluation and Strategic Environmental Assessment (SEA) of the South West of England Regional Competitiveness and Employment ERDF Programme 2007-13. This document is the Final Report on the Ex-ante Evaluation.

### 1.2 Context of the Ex-ante Evaluation

The Structural Funds Regulations for the 2007-13 perspective involve a Fourth Reform taking into account the enlargement of the EU in 2004 and 2007 that will see the largest proportion of structural support directed to the New Member States. Nevertheless, over the next seven years, the UK will receive some £6.3bn under:

- the **Convergence Objective**, which is broadly comparable to Objective 1 in 2000-06, and which will operate only in Cornwall and the Isles of Scilly, the Highlands and Islands of Scotland, and West Wales.
- the **Regional Competitiveness and Employment Objective** which will cover all other areas and for which ERDF Operational Programmes will operate at regional level and ESF Operational Programmes will be developed for England and the devolved nations.

With less funding for the more advanced Member States, the Structural Funds for 2007-13 are more tightly aligned with the policies for growth and employment (the Lisbon Agenda) and which are reflected in:

- the scope of eligible actions set out in **the Structural Funds Regulations**.
- the **Community Strategic Guidelines** (CSGs) which highlight the policy priorities agreed between the Member States for 2007-13.
- the **National Strategic Reference Framework** (NSRF) which interprets the CSGs in the context of UK policy and circumstances.

### 1.3 The Purpose of Ex-ante Evaluation

The commissioning of ex-ante evaluation is a responsibility of the Member States. While carried out primarily to support those preparing Programme Documents, ex-ante evaluation is an independent exercise undertaken impartially in the Community interest. The Ex-ante Evaluation Final Report accompanies draft Programme Documents and is one of several factors informing negotiation of Programmes.

DG Regio's Indicative Guidance notes the purpose of ex-ante evaluation as being:

*"to optimise the allocation of resources and to improve the quality of programming. Ex-ante evaluation should be an interactive process whereby judgement and recommendations are provided by experts on the content of Programmes drawn up by those responsible for their composition. It should also be an iterative process whereby the recommendations of the experts are taken into account by the planners in subsequent drafts of different parts of Programmes".*

The ex-ante evaluation is required to provide an answer to broad questions, including:

- does the Programme represent an appropriate strategy to meet the challenges confronting the region or sector?
- is the strategy well defined with clear objectives and Priorities and can those objectives be realistically achieved with the financial resources allocated to the different Priorities?
- is the strategy coherent with policies at regional, national (including the NSRF) and Community level; how will the strategy contribute to the Lisbon objectives?
- are appropriate indicators identified for the objectives and can the indicators and their targets form the basis for future monitoring and evaluation of performance?
- what will be the impact of the strategy in quantified terms?
- are implementation systems appropriate to deliver the objectives of the Programme?

## 1.4 Our Approach to the Ex-ante Evaluation

Fraser Associates' approach to ex-ante evaluation takes account of the Commission's evolving requirements and has been refined through experience of some 15 diverse ex-ante evaluations ranging from National Development Plans to regional thematic Programmes.

Our approach starts from an appreciation of the need for the ex-ante evaluation to be seen to be impartial and independent of the Programme development. It follows advice from DG Regio that ex-ante evaluators must not be involved in drafting sections of Programmes.

This principle accepted, our approach thereafter is intended to be supportive of those engaged in Programme development, to help ensure that the Draft Programme has anticipated most of the questions that the Commission will have prepared. To this extent, over the course of the ex-ante evaluation, Fraser Associates has provided:

- a method statement (evaluation checklists) based upon our experience of successive Programmes and interpreting the requirements set out in:
  - the finalised Structural Funds Regulations.
  - the Community Strategic Guidelines.
  - the Lisbon National Reform Programme.
  - the England National Strategic Reference Framework.
  - DCLG's Programme Document template.
  - the aide-memoire for Desk Officers in reviewing draft OP documents.
- an omnibus of evaluation experience from past Programmes.
- four rounds of critical review of elements of the OP on a rolling basis as they were drafted.
- a guidance note on the production of SWOT analyses when this was identified as an area in particular need of reinforcing in the first full draft of the Programme.

In addition, the ex-ante evaluators have been prepared to meet with Planning Team Leaders to discuss the findings, any misunderstanding identified and areas - in the

opinion of the evaluator - requiring revision or reinforcing. One such meeting has been held following the review of the first full draft of the Programme.

## 1.5 Perspectives on the Implementation of the Ex-ante Evaluation

The client for the ex-ante evaluation has been a Steering Group comprising officers of the Government Office for the South West, the South West Regional Development Agency and other partners. There have been two formal meetings and a further meeting in the margins of a consultation event, but the Group has not met since late 2006. We have nevertheless had regular informal dialogue with our main contact, the Head of Programme Development at GOSW.

Where there has been an opportunity for dialogue with the client, it has been cordial and constructive at all times. We have been favourably impressed by the client's serious approach.

The client has afforded the opportunity for the evaluators to attend several consultation events and we have been interested in their content and impressed with the level of interest generated.

Whereas our experience as ex-ante evaluators has normally involved the engagement and mentoring of civil servants who are drafting Programmes, on this occasion the client had commissioned a firm of consultants to carry out this task. These consultants clearly enjoy the client's confidence in substantial measure. Accordingly, as evaluators, we have not been as close to the drafting process as on other occasions.

Draft material has been submitted for review less regularly than envisaged at the outset. The main elements reviewed have been:

- a first draft of the socio-economic and SWOT analyses (September 2006).
- the consultation draft (November 2006).
- a second full draft as it evolved (mid-March to early April 2007).
- a final draft (16 April 2007).

The process has become quite end-loaded and, confronted with pressure to submit Documents as early as possible, the Programme authors have had limited time to respond to recommendations made by the ex-ante evaluator.

## 1.6 Structure of the Ex-ante Evaluation Final Report

Following this Introduction, the Ex-ante Evaluation Final Report comprises ten further Chapters covering:

- evaluation of the evidence base.
- evaluation of the SWOT analysis.
- evaluation of the objectives and strategy.
- evaluation of the Priority Axis texts.
- evaluation of the cross-cutting themes.
- evaluation of the quantification of the Programme.
- Community Added Value.
- evaluation of the implementation Arrangements.

- overall conclusions and recommendations on the Submission Draft Programme Document.



## 2 EVALUATION OF THE EVIDENCE BASE

### 2.1 General

The role of the socio-economic analysis in strategy development is more limited for Regional Competitiveness and Employment Programmes in the 2007-13 period in comparison with previous programme periods. The new Programmes are markedly less global in potential scope and provide limited resources when compared with the past.

The socio-economic analysis might be expected to validate the range of Priorities in the RES, but additional work is required in considering which Priorities are most appropriate for the use of ERDF funding. The socio-economic analysis should play an important role in providing material for the rationale texts, once the priorities are selected.

### 2.2 Issues for Evaluation

The purpose of the evidence base is to present the socio-economic position in the region upon which the SWOT Analysis and underpinning rationale for the Strategy and Priorities should be based.

Guidance was provided by ODPM in 2006 in the form of a template, which provided a basic structure for the socio economic analysis based on the following elements:

- Summary of eligible area – strengths and challenges.
- Employment.
- Competition.
- Enterprise.
- Innovation.
- Investment.
- Skills.
- Environment.
- Rural.
- Urban.

The guidance provided by ODPM was fairly limited in scope. It indicated that under each of the thematic headings, regional strengths and opportunities should be identified and explained and that Programmes may choose to do this at a spatial level, in addition to the thematic review. It also expected that the analysis presented within the main body of the document would be relatively short. The first draft of the South West Competitiveness Programme evidence base, which was submitted in September 2006, did not follow the structure advocated by DCLG, although the guidance did form the basis for its structure thereafter.

Although no formal guidance was issued, the Commission's position, reflected in internal guidance for Desk Officers, was that the text presented in the main body of the Programme document should present the conclusions of analysis. By implication, it was expected that a substantive analysis would lie behind these conclusions.

Our role as ex-ante evaluators was to review the contents of the evidence base to establish that the full range of themes had been addressed, and thereafter to consider whether:

- sufficient relevant data were presented?
- the data presented were up-to-date and from a reliable source?
- the data were static or in time series form and benchmarked (for example, against the corresponding GB data)?
- trends were analysed?
- issues surrounding the cross-cutting themes were incorporated into the analysis?
- the data were disaggregated to illustrate sub-regional disparities.
- the accompanying analysis and conclusions were consistent with the data presented?

## 2.3 Summary of Identified Economic, Social and Environmental Issues and Trends

The main issues identified in the analysis are as follows.

The **population** of the region grew by 6% between 1995 and 2005 to just over five million. The population profile is older than that for England as a whole, with 49% of individuals aged over 40. Population growth has been experienced at a faster rate in the region's rural areas, while Plymouth was the sole local authority area to experience a population decline.

Levels of **employment** increased by nearly 20%, to 1.8 million, between 1981 and 2001, comparing favourably with national growth. Although there has been a significant increase in the numbers of full-time workers, growth in part-time working increased at almost twice the national rate over the same period, driven largely by the tourism industry and other low value-added sectors. Around 40% of the region's employees are employed in private sector services, with 35% in public sector services.

The regional economy has grown relatively well compared with the UK average in terms of **GVA** in the last decade or so, although GVA per head remains below the UK average. GVA per head has remained relatively static in the region since 1996, although GVA per job and GVA per hour have increased, reflecting improved labour productivity. Earnings are below the national average and there are wide intra regional disparities driven by the geographical distribution of low productivity sectors.

The region generates the lowest value of **exports** per employee in the UK, while total international exports from the region amounted to just 12.4% of regional GVA during 2004, the lowest proportion of all the English regions. Of the companies that are exporting to any significant degree, many are large and are concentrated within a limited number of sectors.

The RES has identified eight **key sectors**, the most productive of which are advanced engineering (including aerospace), ICT and food and drink. With the exception of tourism, the remaining key sectors are less mature but have demonstrated recent growth potential.

The region's **business base** increased by 12% between 1996 and 2005. Business stock measures suggest that entrepreneurial activity is around average. Trends in VAT registrations between these dates illustrate some developments in growth sectors, although the majority of business start-ups tend to be in low value added activities. The region is home to the highest proportion of small enterprises of any

region in England, and the lowest proportion of businesses with turnovers in excess of £250k.

The region demonstrates strong **R&D activity**, accounting for 10.1% of all business R&D expenditure in 2004, significantly above its GVA and population shares. The region has also experienced strong recent growth in R&D expenditure, and is concentrated in private business and the defence-related public sector. However, the region performs below the UK average in terms of high-technology applications, and is dependent on the relatively high performing GWNS area.

In terms of **adult skills**, the region demonstrates good levels of formal qualifications in relation to the national average, although a significant proportion of the working age population do not hold qualifications at Level 2. The existing skills base is under-utilised by the region's business base, which is reflected in the region's low productivity and wages. The long-term trend is for increasing levels of employment in managerial, professional and associate occupations.

**Unemployment** is not a key issue in the region, although higher than average rates of unemployment are demonstrated by the 16-24 age range. The highest levels of unemployment are experienced in the urban areas and locations in the west of the region. Higher proportions of worklessness are experienced in the urban areas, and Bristol and Plymouth are characterised by pockets of severe multiple deprivation.

The region is relatively **rural** with 50% of its land characterised as agricultural. In excess of a third of the population in the region is classed as living in rural areas – the highest proportion of any region in England. Out migration among young people is a significant issue for business and economic development generally. Poor productivity is also linked with low educational attainment in rural locations. Businesses tend to be smaller and a high proportion of the business base is linked with the manufacturing and construction industries.

Research supporting the development of the RES suggests that the region's **urban** centres will remain the focus of growth and development for the next twenty years. However, the urban areas in the South West will face a number of challenges resulting from this anticipated growth surrounding environmental sustainability and ensuring that economic development is inclusive to address the concentrations of multiple deprivation experienced in some urban neighbourhoods.

## 2.4 Evolution of Draft Socio-economic Analysis

The evolution of the evidence base began with an initial draft of the document in September 2006, followed by further drafts in November 2006 and March 2007.

The first draft lacked authority, tended to be descriptive rather than analytical and, accordingly, was tentative in terms of drawing out the key issues and conclusions. The presentation of gender differences, regional / national benchmarking and trends was inconsistent across the analysis, while there was limited use of trend data.

In November, the analysis was restructured according to ODPMs guidance and template. Despite the restructuring, and some changes on the margins, this essentially provided a summary of the first draft, with many of the tables and graphs removed. We noted that additional analysis continued to be required in a number of areas – particularly surrounding the themes of enterprise, competitiveness and

innovation – and that our general points made in relation to the September draft remained valid.

Following our discussion with the client and their consultants in December 2006, we understood that the evidence Chapter in the main body of the document would highlight conclusions from a fuller analysis that would be annexed. This proposal has not been carried through.

A third version was evaluated in March. We felt that the document had not addressed the key issues raised in connection with the November submission. Ongoing issues surrounded the presentation of data and the need for analysis of trends. There was no consistent approach to presenting the data at a sub-regional level, or benchmarking the SW position with the UK average, gender issues and the identification of other target groups.

## **2.5 Evaluation of the April 2007 Draft**

### **2.5.1 Employment and Economic Activity**

The analysis of employment and economic activity is based on issues surrounding:

- employment.
- self-employment.
- employment by sector.
- employment rates.
- economic activity.

Although the range of material presented should provide the basis for a full discussion of employment and activity issues, the presentation of the data is inconsistent. Although the data have been sufficiently benchmarked, the analysis lacks a focus on trends, and (with the exception of data on economic activity) is not disaggregated by gender or spatially on a consistent basis.

Although most of the data is from 2005 or 2006 and reliably sourced, we would query the use of Census of Population data to illustrate employment and self-employment changes given that the latest data is from 2001.

The conclusions surrounding sectoral employment / earnings and spatial issues have not been analysed sufficiently to justify the comments about low value added sectors and issues facing the west of the region. An improved sectoral analysis, using trend data and presenting sub regional data, would help to justify this assertion.

The conclusions drawn are consistent with, but tend to replicate, the contents of the analysis without identifying the implications for the Programme.

### **2.5.2 Economy and Competition**

The discussion on the economy and competition is based on the following data:

- GVA.
- Sub regional contribution to GVA.
- GVA per head.
- Earnings.
- International Trade.

While there is a useful discussion of trends in GVA performance overall in the region, there is a need to discuss GVA in sectoral terms in more depth. No data have been presented on the sectoral contribution and there is no discussion of sectoral trends. We would suggest that this is addressed by identifying the linkages with the key sectors identified in the RES given that productivity is discussed in the sector profiles. The lack of sectoral analysis remains a considerable weakness.

There is a reasonable analysis of earnings in the region based on a comparison of data from 1999 and 2005, including an analysis of gender differentials. However, while this discusses issues around full-time and part-time pay, the analysis would be strengthened by an examination of pay-related issues by sector and occupation.

The section on international trade suffers from a lack of trend data: it provides a useful baseline position but – given that support will be provided through the programme to assist businesses in this area – a more robust and justifiable analysis based on trend data would be preferable.

The conclusions based on the region's export performance are somewhat vague. The author suggests that the priority sectors face different challenges affected by a number of issues - these appear generic and applicable to businesses across all sectors. There is a need to be more specific about the export-related issues facing businesses in the key sectors.

### **2.5.3 Sector Profiles**

Brief sector profiles have been presented, essentially re-producing material from the RES evidence base. The key sectors identified are:

- advanced engineering.
- bio-technologies.
- creative industries.
- environmental technologies.
- food and drink.
- ICT.
- marine.
- tourism.

The profiles provide reasonably effective snap-shots of the key sectors, although the analysis is rather limited and inconsistent. There is no indication of developments in the region for any of the sectors since 2004, while much of the data is sourced from as far back as 2001 and 2002.

There could be more effective cross-referencing between the issues raised in this section and a number of the other elements in the evidence base, for example skills, employment and the business base.

The conclusions drawn are rather bland, and are based on a brief summary of some of the issues raised in the analysis. These could be reconsidered to draw out the implications of the analysis more effectively.

#### **2.5.4 Enterprise**

The analysis of enterprise is based on discussion surrounding:

- VAT registered businesses, registrations and de-registrations.
- VAT stock and growth by sector.
- Business distribution by size.
- Entrepreneurship.

The data is sourced from the DTI, Small Business Service and Barclays Bank and is drawn from 2005, with proportional changes shown from 1996 for the VAT data. Although the range of indicators discussed appears reasonable, we would have preferred the presentation of fuller trend data, with the use of absolute figures in addition to proportional changes.

The inclusion of information on constraints on business formation would be a useful addition to the analysis, particularly with regard to disadvantaged urban communities. This would help to justify the contents of Priority 3.

The relationship with the SIC-defined sectors highlighted as growing in this section and the key RES sectors needs to be made clearer.

No conclusions have been drawn on intra regional disparities. This is in spite of the analysis arguing that smaller companies operating in lower value added sectors are associated with the west of the region and that start up rates seem to lag well behind the rest of the region in some of the urban areas. The analysis could also provide more clarity in terms of where companies in the higher value added sectors are based, and whether start-up activity tends to cluster around these areas.

#### **2.5.5 Innovation**

The discussion of Innovation is based on data in respect of:

- R&D expenditure.
- high tech patent applications.
- sub regional patent activity.
- high tech applications by sector.
- co-operation agreements on innovation activities.
- employment in high and medium technology sectors.
- Higher Education Institutions.

Taken at face value, this would appear to provide the basis for a comprehensive discussion of innovation issues in the region, with data sourced from ONS, Eurostat, DTI and the UK Innovation Survey. However, the data presented are rather limited. No trend data has been presented with the exception of data for Co-operative agreements and employment in high and medium technology sectors.

Most of the data presented are also quite old, for example, the R&D and Patent data is from 2002, while the co-operation agreement data is for 1998-2000 period. We have previously suggested that material readily available in the DTI Regional Competitiveness Indicators series would provide data that would strengthen the analysis.

In terms of R&D and other innovative activity in the region, it would help to provide an analysis of the sectors with a track record of expenditure in this area to help target support through Priority 1. The conclusions suggest that innovative activities need to be broadened into other sectors and other parts of the region and there is a need to carry out this assessment as part of the analysis.

More analysis of the HEI sector is needed in relation to its capacity to deliver the specific activities envisaged under Priority 1 as the analysis casts doubt on this. Further work is needed to confirm the capacity within the region to deliver specialised technology-based support, both within and outside the HE sector.

## **2.5.6 Infrastructure (Sites and Premises) and Connectivity**

A summary position of infrastructure in the region is presented. As the provision of infrastructure will not play a significant role in the Programme we would not expect sites and premises, transport or ICT issues to be discussed in any depth. Subsequently, it is our view that the material presented is, in the main, adequate.

However, the implications of the ICT conclusions for the Programme require some clarification. In particular, there is a need to be more specific about whether take-up or inability to access broadband was an issue for businesses in the region.

## **2.5.7 Skills**

The analysis of skills issues in the region is based on the following data:

- Key stages 1 and 3 for young people.
- NVQ 1-4 attainment.
- Working age individuals with no qualifications.
- Adults with basic skills at entry level or below.
- Business demand for skills.

While a useful discussion of the skills issues in the region is presented, none of the data presented is disaggregated by gender or age group, and no reference made to other EO groups. There is a very limited discussion of trends within the discussion, though no trend data has been presented in tabular or graphic form.

The demand side material is based on material summarised from the National Employer Skills Survey and is adequately discussed. However, the presentation of data could be improved to highlight the key issues surrounding the effective utilisation of the region's skills base.

## **2.5.8 Unemployment and Multiple Deprivation**

Unemployment and deprivation issues have been based on the following data and sources:

- ILO unemployment rates.
- Claimant count rates.
- Worklessness.
- Index of Multiple Deprivation.

The unemployment data presented is not disaggregated by gender. It would benefit from improved presentation, which disaggregates the data by gender, sub-region,

age group and duration of unemployment. A fuller discussion of the link between unemployment and ethnic minority groups would be useful based on observations made in the EO Profile.

Within this Chapter there is an absence of sufficient analysis of deprivation in urban or rural communities in the region. This is required to underpin the enterprise activities envisaged through Priority 3 or a variation thereof. A deeper analysis of the IMD domains would help here. There is a suggestion that rural communities may also be affected, for example in the west of the region and in the Forest of Dean: the process underpinning the exclusion of these areas from support under Priority 3 could be made more transparent.

The relevance of the analysis to the promotion of enterprise in deprived areas has not been developed sufficiently. Material highlighting the LEGI consultation document provides some policy context but there is no attempt to link this with specific issues identified in the South West.

### **2.5.9 Spatial Characteristics**

Spatial characteristics are discussed under the headings 'Rural' and 'Urban'. The focus of discussion is completely different for the two headings. The rural section is more comprehensive, raising a number of issues in fairly brief form that can be linked with the evidence base. The section on urban locations focuses on issues that may be of importance in the future.

The assessment of spatial issues continues to reflect shortcomings surrounding the presentation and analysis of intra regional issues throughout the evidence base. This has not been carried out systematically and has consequences for the analysis of spatial characteristics in the region. We would suggest that the spatial assessment could be re-considered to highlight the intra regional disparities raised in the evidence base as a starting point for the summary of rural and urban issues.

### **2.5.10 Overall Assessment**

Our overall impression of the evidence base is that it has not moved on in terms of content substantially since the draft submitted in November. Some of the changes that have been made appear to reflect the observations we have made. However, these adjustments have generally been marginal and have not fully addressed the weaknesses identified, some of which are important in developing the case for the Priorities and their constituent actions.

Although the range of indicators discussed is reasonable, there continues to be a lack of discussion of trend data. The presentation of intra-regional issues lacks consistency. We are surprised at the limited use of sub-regional analysis using readily available statistical material which would have helped to justify the selection of areas and the approach to tackling deprivation.

There is a tendency to make assertions in an attempt to justify the strategy and actions. Often this is due to insufficient evidence, for example there continues to be a lack of data to suggest that encouraging enterprise - rather than interventions to help people into employment - is appropriate for the region's deprived urban areas. Elsewhere, the HE sector's potential to contribute to Priority 1 objectives remains open to question based on the quality of information presented. Conclusions made at the end of each section tend to summarise points raised in the preceding analysis, rather than highlighting the implications for the Programme.



There is an ongoing issue with the presentation of the labour market related data, which is generally not disaggregated to reflect gender issues in a consistent manner either within the discussion or the data sets presented. We would also have expected issues surrounding gender and other EO groups to have been highlighted in more detail in the Enterprise and Skills sections.

## 3 EVALUATION OF THE SWOT ANALYSIS

### 3.1 Evaluation Questions

The purpose of a SWOT analysis is to form a bridge between the evidence base and the strategy. Its preparation involves:

- firstly, interpretation of strategic issues identified from the evidence base as strengths, weaknesses, opportunities and threats.
- secondly, consideration of the implication of these issues and their interaction for the shape of the programme and the relative weight of its Priority Axes.

Accordingly, the main questions in evaluating a SWOT analysis are:

- are the main strategic issues affecting the Programme area accurately identified as strengths, weaknesses, opportunities and threats?
- is the relevance of the strategic issues demonstrated in the evidence base?
- does analysis of the strategic issues lead to justified conclusions on the Priorities for the Programme and their relative weighting?

### 3.2 Evolution of the SWOT Analysis

Four iterations of the SWOT Analysis have been reviewed. Review of the first two identified the need for a substantial reworking. Initially, numerous strategic issues were mis-identified and there was an absence of actual analysis leading to conclusions on the shape of the Programme. As a result, a Guidance Note was prepared in December 2006. Subsequent review found that there was an improvement in the identification and allocation of strategic issues, although linkage to the evidence base was poor. There were some minor amendments to an essentially descriptive accompanying text, but no analysis of the interactions if the strategic issues identified leading to justified conclusions on the Priorities of the Programme and their relative weighting, as had been recommended.

### 3.3 Evaluation of the April 2007 Draft

#### 3.3.1 General

Table 3.1 shows the strategic issues as identified in the latest version of the Draft Programme together with our assessment of whether these issues are correctly identified and whether their identification is justified by reference to the evidence base.

#### 3.3.2 Identification of Strategic Issues

For the most part, we consider that the authors have now identified many of the strategic issues that confront the South West. Only one weakness is now incorrectly identified as a threat. The formulation of a small number of strategic issues remains vague. However, the main shortcoming remaining with the identification of strategic issues is their absence of evidencing. The SWOT analysis should flow clearly from the evidence base. It should be possible to assess the relative significance of the strategic issues identified by reference to evidence on their scale and character. This does not happen in the SWOT analysis within the submission draft.

TABLE 3.1: ASSESSMENT OF STRATEGIC ISSUES IDENTIFIED			
	Strategic Issue Identified	Correctly Identified by Class, (Strength, Weakness, Opportunity, Threat)?	Justified in Evidence Base?
<b>Strengths</b>			
1	Good enterprise culture and business start up rate.	Yes.	Only partially. The socio-economic analysis points to start-ups being primarily related to low value-added sectors.
2	Strong presence of some growth sectors – environmental technologies, biotechnology, ICT and creative industries.	Yes.	Only partially. The evidence base does not present a convincing case for all of the sectors identified.
3	Higher than average business investment in R&D and large number of high technology patent applications (from a small number of sectors).	Possibly.	Only partially. The evidence from the socio-economic analysis is ambiguous and based upon limited data. The concentration of R&D among large and ineligible businesses (Weakness 7) raises doubts concerning its validity as a strength.
4	Relatively good qualifications of young people and a well qualified workforce.	Yes.	Yes.
5	Environmental technologies base distributed throughout the region.	Yes, but tends to duplicate 2.	No. The case for the environmental sector being a strong sector is not well evidenced.
6	Quality of the natural environment attracts residents and investment.	Probably.	No. Section on environment asserts as high quality, but is not well evidenced.
7	Connectivity of the north east of the region to London and South East based markets.	Possibly.	Only partially. Spatial distribution of activity possibly reflects this in part. It is not clear this is capable of being levered as a relative strength.
8	Understanding of the environment as an economic driver.	Possibly.	Not clear that <i>understanding</i> provides a basis for competitive advantage. Limited evidence offered regarding relevant business and research strengths.
<b>Weaknesses</b>			
1	Low capital productivity levels generated by the region's business base and under-representation of knowledge intensive growth sectors.	Possibly.	Only Partially. Levels of business investment not addressed. Sectoral analysis limited.
2	Low levels of exporting and concentration in small number of sectors and companies.	Probably.	Partially. Evidence suggests sectoral concentration but unclear how many companies are involved.

TABLE 3.1: ASSESSMENT OF STRATEGIC ISSUES IDENTIFIED			
	Strategic Issue Identified	Correctly Identified by Class, (Strength, Weakness, Opportunity, Threat)?	Justified in Evidence Base?
3	Peripherality of western parts of the region and structural bias towards low value added and seasonal economic activity, coupled with rural isolation elsewhere in the region.	Lacks clarity as a strategic issue. Conflates too many issues.	Partially.
4	Concentrated areas of deprivation (notably Bristol, Torbay and Plymouth) and economic and social exclusion.	Possibly. Could be symptomatic of strategic weaknesses rather than a strategic issue itself.	Yes, if in fact a strategic issue.
5	Basic skills issues in terms of numeracy and ICT.	Possibly.	No.
6	A large number of very small businesses.	Possibly.	Evidence shows large proportion of small businesses, but does not explain how this may represent a weakness.
7	Concentration of R&D in a small number of large businesses in aerospace and defence and communication technologies.	Possibly. Some tension with identification as a strength.	Limited evidence in the underlying analysis which is based on sub-regional variation. There is also an emphasis on computer and automated business equipment in the evidence base.
<b>Opportunities</b>			
1	The potential for SMEs in certain sectors to take advantage of growing national and international markets.	Yes.	Only partially. Evidence base presents limited evidence on which sectors face growing markets and / or the kinds of market that are likely to grow.
2	Demand for environmental technologies and renewable energies – further promoted through the Stern Report.	Probably.	Only partially. Could better identify the regulatory and market trends that potentially favour expansion of environmental technologies. Not clear that the South West possesses the research and business strengths to exploit this opportunity.
3	Higher Education Institutes and opportunities for knowledge transfer.	Incorrectly identified as an opportunity. Potentially a weakness given the evidence presented on the record of HEIs in this area and the apparent lack of capacity for expansion of knowledge transfer.	

TABLE 3.1: ASSESSMENT OF STRATEGIC ISSUES IDENTIFIED			
	Strategic Issue Identified	Correctly Identified by Class, (Strength, Weakness, Opportunity, Threat)?	Justified in Evidence Base?
4	Opportunities arising from digital applications, more widespread broadband and ICT adoption and applications resulting in new business opportunities.	Probably, but the formulation is vague.	Not clearly developed in the evidence base.
5	Export potential and further trade opportunities and new export markets in Asia, Oceania and eastern Europe.	Probably. However, the growth of competition from the same areas is commonly identified as a Threat.	Yes.
6	Addressing the challenge of delivering a low carbon economy.	Unclear. Appears to duplicate Opportunity 2.	Not clear that the South West possesses the research and business strengths to exploit this opportunity.
<b>Threats</b>			
1	Trajectory of employment in the west of the region, notably Torbay, Plymouth and parts of rural Devon.	No. This is an internal factor and, accordingly, if evidenced, would be a weakness.	
2	Growing international competition for jobs in manufacturing and service industries leading to outsourcing and offshoring.	Yes.	No.
3	Structural adjustment in more remote rural areas.	No. This is an internal factor and, accordingly, if evidenced, would be a weakness.	
4	Increasing energy prices and uncertainty of supply.	Yes.	No.
5	Climate change resulting in adverse weather, flooding and sea level rise.	Yes.	Not clearly.
6	Carbon emissions and the potential impact of legalisation on businesses.	Yes.	Only partially in the Environment section.

### **3.3.3 Analysis of Strategic Issues**

Following identification of relevant strategic issues, there is no systematic analysis of their interactions and implications for the need for, or feasibility of, making progress in particular directions. There is, in effect, an absence of analysis in this SWOT analysis.

The accompanying text has improved, mainly through the insertion of some statistics to reinforce the points being made. It remains essentially descriptive, however. It does not lead to justified conclusions on the shape of the Programme.

### **3.3.4 Overall Assessment**

There have been some improvements in the SWOT analysis as it has evolved over four iterations. These have mainly been confined to more accurate identification and allocation of the strategic issues. The strategic issues identified are not well evidenced, however. Accordingly, it is not possible to assess the relative significance of the issues highlighted.

As it stands, the SWOT analysis adds limited value over the socio-economic analysis. It does not provide an effective bridge between the socio-economic analysis and the identification of Priorities which is the primary function of a SWOT analysis.

We would again refer the authors to the Guidance Note prepared by the evaluators on this topic.

## 4 EVALUATION OF OBJECTIVES AND STRATEGY

### 4.1 Evaluation Questions

The purpose of this area of the Programme Document is to set out the overall strategy for the Programme, what it aims to achieve, the Priority Axes of action that it will operate through and the consistency of the strategy with the policy context.

The main questions for the evaluation in this area are:

- is a sufficient rationale for the strategy presented and is it, and the choice of Priority Axes, consistent with the conclusions of the SWOT analysis and the underlying evidence base?
- is a hierarchy of Global and Specific objectives presented; are the objectives consistent and are they quantified; is their formulation consistent with SMART principles?
- is the reason for the choice of Priorities to be funded using ERDF resources explained and justified?
- is the basis for the relative financial weighting of the Priority Axes clearly set out and justified?
- are lessons from past Programmes that relevant to the proposed strategy identified; is it explained how these are reflected in the strategy and its implementation?
- is the consistency of the strategy with the relevant EU and UK policy context demonstrated?

### 4.2 Evolution of the Strategy Text

Three iterations of the strategy text have been reviewed.

As regards the strategy, in our review of the first draft, we noted that weaknesses in the socio-economic and SWOT analyses meant that there was not at that time a well-justified basis for the selection of the Priorities and for deciding their financial weighting. This had not materially improved in the second draft reviewed and a need to strengthen the links between the strategy and the underlying evidence and to provide an explanation concerning the selection of the Priorities was highlighted in our comments on the second draft.

As regards the objectives, review of the first draft noted that the objectives tended to be formulated as general aims, were not quantified and, accordingly, were not consistent with SMART principles (i.e. being specific, measurable, achievable, realistic and timebound). These observations were reinforced in the review of the second draft with the provision of an example of SMART formulation and how this could be applied to produce a coherent hierarchy of SMART objectives.

An exposition of the policy context was provided in the first full draft of the Programme Document. The evaluators recommended that this could be better structured and that it would be helpful to illustrate how the proposed actions will actually contribute to the policy objectives. This area had been substantially strengthened in the second full draft reviewed.

An exposition of the lessons from past programmes was incorporated in the Priority texts in the second draft of the document. The evaluators observed that this was

useful, but that it would be helpful to explain how they are reflected in the design of the Programme and the proposals for its implementation.

## 4.3 Evaluation of the April 2007 Draft

### 4.3.1 General

It is clear that an effort has been made to address several of the issues highlighted by the evaluators in the limited time between our review of the second draft and the final draft.

### 4.3.2 Rationale

The text in this area has been somewhat improved since the previous iteration and better conveys the thinking behind the strategy.

Under Process for the Chosen Strategy, it provides a better description of how the priorities were identified essentially through a consultative process in the region that took account of the EU policy context and the Regional Economic Strategy rather than being the product of a technical analysis involving the socio-economic and SWOT analyses presented in the Programme Document. This is consistent with our observations on the strength of linkage between the socio-economic analysis, the SWOT analysis and the strategy.

Although the section on the economic context opens by asserting a relationship with the socio-economic and SWOT analyses, the text provides a fairly general description and highlights some of the challenges confronting the South West. While helpful, the text does not sharply present the fundamental conclusions from the SWOT and underlying analysis and progress to a conclusion on what the Priorities should be. It does not draw upon the analysis to justify the points that it is endeavouring to convey. Accordingly, it continues to lack authority as an overall rationale for the Programme.

The section on the policy context acknowledges that this provided an early filter on the potential scope of the Programme and shaped the approach to the strategy from an early stage. We would certainly have expected the policy context to act as a strong filter at some point in the process, which would more conventionally have followed the drawing of conclusions from the socio-economic and SWOT analyses.

The modest ERDF resources provided to the South West are also identified as a factor shaping the programme. The evaluators would expect such an effect and, if anything, remain surprised that the scope of the strategy remains as broad.

### 4.3.3 Objectives

Table 4.1 analyses the hierarchy of objectives identified. A single global objective is identified, plus four operational objectives are said to operate at the level of the strategy. A further six objectives are identified at Priority level.

Commission Guidance expects a functional hierarchy of objectives to be presented and this is in line with general good practice in strategy development. Specific objectives (i.e. those at Priority level) should cohere with the Global objectives in qualitative and quantitative terms. Attainment of the Specific Objectives should lead to the attainment of the Global objectives.



TABLE 4.1: EVALUATION OF HIERARCHY OF OBJECTIVES		
Objective Level	Consistent With Global Objective	Consistent with Operational Objective
<b>Global</b>		
(G1) To increase the prosperity of the region through supporting enterprises and individuals to develop ideas and plans which contribute to increased productivity and competitiveness.	N/A	N/A
<b>Operational</b>		
(O1) Increase the productivity of the region's business base, through the promotion and support of innovation, research and development and the application of knowledge.	Yes	N/A
(O2) Reduce intra regional disparities through stimulating enterprise and accelerating business growth in those parts of the region lagging behind.	Not clearly	N/A
(O3) Increase employment and enterprise in the region's most disadvantaged communities.	Possibly	N/A
(O4) Protect and enhance the region's environmental assets and work towards developing a low carbon economy.	No	N/A
<b>Specific</b>		
(S1) Increase the sales and productivity of companies through increasing the rate of innovation and the economic benefits from knowledge and product and process improvements.	Yes	Yes, with O1
(S2) Increase the number of high value added, innovative new start businesses.	Yes	Not clearly
(S3) Increase the proportion of businesses and employment in high value added business activities.	Yes	Possibly with O1
(S4) Increase the quality of new starts through supporting high growth and high value added new starts.	Possibly	No
(S5) Increase the sales and productivity of businesses through the provision of high quality business support in key areas including internationalisation and investment support.	Yes	Possibly with O1
(S6) Increase the level of enterprise / social enterprise in the region's most deprived neighbourhoods.	Not clearly	Yes, with O2 and O3

Careful reading of the objectives finds that the hierarchy is weak:

- only one of the operational objectives clearly contributes to the realisation of the global objectives.
- coherence between the specific objectives and the global objective is, in general, greater, but not complete.
- there is limited coherence between the specific objectives and the operational objectives.

The formulation of the objectives is weak and is not consistent with SMART principles. There is no quantification of the objectives. Accordingly it will not be possible in the future to determine whether they have been achieved. There is no timescale for their achievement (2015 is the most logical date).

Global objectives will tend to be aggregative in scope. Allowing for this, the specification of the Global Objective is particularly vague and not global in scope. It does not capture the spatial, inclusion or sustainability dimensions of the strategy. Given the policy context for 2007-13 Programmes, we would expect the global objective to be specified in terms of employment and growth.

#### **4.3.4 The Priority Axes and their Weighting**

The Programme Document identifies Priority Axes and their financial weighting as follows:

- Innovation and Knowledge (36%)
- Enterprise and Growth (36%)
- Urban Enterprise (24%)
- Technical Assistance (4%)

As discussed above, the selection of these priorities appears to have been more driven by the policy context rather than conclusions from the socio-economic and SWOT analysis. The priorities proposed are certainly consistent with the policy priorities highlighted at EU level and in the NSRF for England.

The relative weighting is partially explained under the section on funding as being the product of a need to focus limited resources. While plausible, the justification for this allocation could have been strengthened by reference to the scale of resources being devoted to these agendas from Single Programme and other domestic resources. This would also have helped to underscore the added-value represented by the EU funding.

#### **4.3.5 Integration with the Lessons from Past Programmes**

An exposition is presented of lessons from past Programmes within the Priority texts. The text now goes some way to explaining how these lessons will be applied in the implementation of the Programme, for example, by favouring more intensive interventions among businesses.

Evaluations have highlighted important lessons on other dimensions of Programmes that should also be borne in mind in mind, notably relating to the cross-cutting themes and Programme implementation processes.

#### **4.3.6 Consistency with the Key Policy Context**

As discussed above, it is apparent that the key policy context has played an important role in shaping the Programme. Chapter 5 includes a subsection that provides a substantial exposition of the policy context and its relevance to the Programme.

Much as recommended in our review of the first draft, this has been restructured and its clarity has greatly improved.

The somewhat complex alignment of the Community Strategic Guidelines, the Gothenburg Agenda and the Treaty of Amsterdam with the NSRF is shown quite effectively, together with an indication of how these will be reflected in the actions supported under the Programme.

In addition, the alignment of the Programme with regional strategies is also demonstrated.

#### **4.3.7 Overall Assessment**

In the limited time available between our review of the second draft and the production of the final draft, some useful work has been carried out which partially addresses issues previously highlighted. Some aspects of this area of the Programme Document are now quite strong, notably the presentation of the policy context and the integration of lessons of past Programmes. Other areas remain in need of significant further development.

Notwithstanding that it is now apparent that the primary shaping force on the selection of Priorities has been the policy context, there remains a need to strengthen the justification for these Priorities in the evidence base, the SWOT analysis and the rationale for the Programme. The strategy needs to be seen to flow out of the evidence base and the SWOT analysis and to respond to clearly justified conclusions.

The objectives of the Programme remain weak in technical terms. We recommend that the objectives should be formulated in SMART terms, including quantification, and that, once revised, the hierarchy of objectives should be checked for coherence.

It would be helpful to further justify the allocation of resources across the Programme. As suggested above, this might be done by reference to the scale of domestic funds available in the South West for these agendas, resource plans in the RDA Corporate Plan or RES Action Plan.

If carried through, these actions will significantly improve the transparency and justification for the strategy.

## 5 EVALUATION OF PRIORITY AXIS TEXTS

### 5.1 Issues for Evaluation / Guidance Provided

The purpose of this area of the Programme Document is to elaborate the strategy at Priority Axis level, the issues to be addressed, the scope of action to be supported and expectations surrounding achievements.

Good practice at this stage is to draw out the relevance of the cross-cutting themes of equal opportunities and environmental sustainability in the context of specific Priority Axes and how their integration will be ensured.

The main questions for the evaluation in this area are, for each Priority Axis:

- are Specific Objectives identified, are these consistent with the Priority Axis rationale and the Global Objective of the Programme?
- is a sufficient rationale for action set out; is it consistent with the evidence base and the conclusions of the SWOT analysis?
- is the range of actions proposed and its indicative weighting consistent with the Priority Axis objectives and rationale; do the actions add up to a coherent strategy for the Priority?
- are baselines relevant to the objectives and rationale available to support future evaluation?
- are performance indicators proposed; will these capture the main outcomes from the intervention; are they capable of monitoring?
- are relevant lessons from past Programmes identified; is it clear how these will be applied under the new Programme?
- is the relevance of the cross-cutting themes elaborated; are there clear proposals for their integration?

### 5.2 Evolution of the Priority Axis Texts

Prior to the Submission Draft, two iterations of the Priorities were presented for review – in November 2006 and March 2007. The structure of the Drafts was:

- Content and rationale.
- Lessons learnt (introduced in March).
- Aims and objectives.
- Overall description of activities to be supported.
- Environment (March).
- Equal opportunities and diversity (March).
- Financial resources.
- Focusing resources (March).
- Outputs and results.

In our comments on the first draft in November 2006 we observed that the Priority texts were not developed in any great detail. In particular the context and rationale for all three of the Priorities was sparse; the Priority level objectives tended to be formulated as general aims; the consideration of CCT issues was not integrated within the Priority texts; and there was a tendency to be imprecise about target groups, sectors or areas. Given the limited financial allocation, we questioned whether the Programme should contain any more than two Priorities. We voiced

particular concerns about the viability of Priority 3 given its apparent lack of differentiation from the enterprise provisions in Priority 2.

A second draft addressed some of the issues raised in or comments from November, with the context and rationale for all three Priorities expanded in an effort to justify the range of activities envisioned. Although additional material had been introduced to illustrate how the Priority objectives would contribute to the CCTs, we suggested this required sharpening to reflect the specific contributions of the Priorities to horizontal objectives. New additional material had also been introduced on lessons learned from previous programmes. However, Priority level aims and objectives remained unquantified, while there was a continued lack of precision surrounding target groups, sectors and areas. As regards Priority 3, a rationale suitable for a broadly-based Priority addressing deprivation was provided, but led only to a focus on enterprise, for which no rationale was offered.

## 5.3 Evaluation of the April 2007 Draft

### 5.3.1 General

Although the content of the Priority Texts with the Submission Draft has remained similar to the Draft Final version there have been some changes made to the structure. Each of the Priority texts is based upon the following structure:

- Context and rationale.
- Opportunities.
- Lessons Learnt.
- Focusing Resources.
- Aims and objectives.
- Overall description of activities to be supported.
- Key strands of activity.
- Intra regional disparities.
- Environment.
- Equal Opportunities and Diversity.
- Financial resources.
- Outputs and results.

### 5.3.2 Priority 1 – Innovation and Knowledge

#### Objectives

The specified aim of Priority 1 is to improve the region's overall performance with regard to innovation and close the intra-regional gap in innovation performance. The related strategic objectives are to:

- Increase the sales and productivity of companies through increasing the rate of innovation and the economic benefits from the exploitation of knowledge and product and process improvements.
- Increase the number of high value added, innovative new start businesses.

As noted in Chapter 4, these Specific objectives are consistent with the Global objectives, but only clearly relate to one of the four Operational objectives. In the judgement of the evaluators, they are consistent with the Priority rationale. They are not quantified or otherwise specified in line with SMART principles.

The specific objectives could be brought in line with SMART principles by subtle redrafting and aligning with some of the indicators and targets proposed for this Priority, notably those relating to the number of businesses involved in collaborative R&D, and the impact on employment and GVA.

## **Rationale**

Limited progress has been made on the context and rationale for Priority 1 since the initial draft in November. In general, the material is drawn from the evidence base without much strategic interpretation and suffers from a lack of material in the analysis to justify the rationale for intervention. There is no establishment of a baseline position in quantitative terms to aid future evaluation.

Where the rationale focuses on business, it highlights a limited number of sectors. There is no discussion of the need for the other key sectors in the region to innovate or increase their R&D activities. The rationale is more focused on highlighting intra regional disparities by emphasising the need to raise innovative activity in companies outside of the GWNS area. However, there is no indication of where this demand is likely to emerge from either on a sectoral or geographical basis.

There continues to be a major issue surrounding the capacity of the HE sector to assist the delivery of some of the activities envisaged through Priority 1. Further analysis is required on the level of expertise and capacity available in the region's HE institutions, and the identification of other potential service providers.

The SWOT Analysis raises a number of issues relevant to Priority 1. However, it is not supported by analysis of the environmental technologies business base and its distribution, nor does the evidence base clarify the potential demand for environmental and renewable energy technology specifically in the South West. Opportunities may exist around the HEI sector but these need to be specified in more detail than is currently the case.

Overall, the rationale is essentially based on the need to increase innovative activity outside of the high-performing GWNS area. There is a need to refine the evidence base to help highlight where specific opportunities lie, in terms of sectors, geographic locations and service providers.

## **Scope**

The scope of activity is reasonably consistent with the issues raised in the rationale and objectives for the Priority. However, there is a very heavy emphasis on the HE sector, which we have voiced concerns about, while the focus on developing the Environmental technologies and renewables sector is based on very little information in the evidence base.

A wide range of activities continues to be proposed for Priority 1, despite the limited resources available. We note that there remains an intention to provide support for innovative new business starts, which is not clearly differentiated from assistance under Priority 2.

Interventions for technology and innovation-related activities are costlier than standard business development actions and we continue to have concerns surrounding the programme's capacity and resources to deliver the range of activities

identified. There is a need to confirm the former, and re-consider the range of activity in the light of resources available.

### **Performance Indicators**

The submission draft has submitted its list of indicators and targets at Priority level with the caveat that these may change following discussions with DCLG. With the exception of an indicator to reflect the number of new starts envisaged, the range of indicators identified appears reasonable. Cost per net additional job is high at c.£27,906, even taking into account the range of activities envisaged.

The quantification is analysed in Chapter 7.

### **Integration of Lessons Learned**

This is covered in Chapter 4.

### **Integration of Environmental Sustainability**

Although presented at a fairly broad level, a fair summary of the environmental issues generated by Priority 1 has been presented. Emphasis is placed on the innovative nature of the Environmental technologies and renewables sectors to help deliver environmental objectives: however, this is more an assertion of rationale, rather than an explanation of how the principle will be applied.

### **Integration of Equality of Opportunity**

We acknowledge the limited potential to apply equal opportunities in the context of an innovation Priority. The proposals put forward – placing an obligation on applicants to develop an access strategy – are rather vague, however.

It would be good practice to set out expectations more clearly here, for example, through ensuring that services are projected as relevant to all EO target groups, by giving precedence to projects that will provide access to finance by underrepresented groups, etc.

### **Identification of Lisbon Categories**

It is expected that at all of the funds will focus on Lisbon compliant activities. A total of 15 categories of intervention have been included, all of which appear consistent with Priority 1 objectives and activities.

### **Overall Assessment**

In the judgement of the evaluators, a Priority covering Innovation and Knowledge is potentially capable of justification, but that there are a number of unresolved issues.

These reflect the limited data and analysis in the evidence base, or the limited reference within the rationale text to that which is available from the evidence base. A key problem is the absence of research evidence or analysis that would support conclusions about needs or the likely extent of take-up. This applies generally and more specifically in relation to the environmental technology and energy sector.

The potential market for these interventions beyond the GWNS area where the knowledge-based industries are located is not identified adequately. Outside of this

area, there needs to be far greater clarity surrounding take-up in terms of sectors and location.

### 5.3.3 Priority 2 – Enterprise and Growth

#### Objectives

The overall aim of Priority 2 is to increase the contribution that new businesses make to the economy and reduce the intra regional disparities in enterprise rates. There are three related objectives, which are to:

- Increase the proportion of businesses and employment in high value added business activities.
- Increase the quality of new starts through supporting high growth and high value added new starts.
- Increase the sales and productivity of businesses through the provision of high quality business support in key areas including internationalisation and investment support.

As noted in Chapter 4, these Specific objectives are consistent with the Global objectives, but only clearly relate to one of the four Operational objectives. In the judgement of the evaluators, they are consistent with the Priority rationale. They are not quantified or otherwise specified in line with SMART principles.

The specific objectives could be brought in line with SMART principles by subtle redrafting and aligning with some of the indicators and targets proposed for this Priority, notably those relating to the impact on employment and GVA. Connection with a target for new businesses assisted would also be appropriate.

#### Rationale

The context and rationale for Priority 2 is essentially based on the need to raise productivity amongst the region's business base, which – outside of the GWNS area - is characterised by small and micro businesses operating in low value added sectors.

The basic rationale behind the Priority is essentially sound but the text could be more tightly drawn and linked with the key messages and data identified in the evidence base. There is a tendency to reference material from the evidence base without providing much strategic interpretation.

The sectoral focus could also be much sharper. Outside of the GWNS area, the reader is aware that productivity is low but – apart from tourism and agriculture – there is no indication of potential growth sectors or the presence of companies in the RES key sectors. Again, there is an emphasis on the potential market for Environmental technologies / renewables, while we have no indication of the role of the remaining key RES sectors to deliver the outcomes envisaged.

There are a number of strategic issues identified in the SWOT that are consistent with issues raised in the rationale. However, we note that amongst the strengths identified is the presence of some growth sectors including ICT, creative industries and biotechnology. These should be highly relevant to Priority 2, yet are not specifically identified in the text. It would be helpful to identify which sectors are being



referred to in the identified Opportunity highlighting the potential for SMEs in certain sectors of growing national and international markets.

Overall, as with Priority 1, there is an emphasis on addressing business issues outside of the GWNS area. There is a need to refine the evidence base to help highlight where specific opportunities lie, in terms of sectors and geographic locations.

### **Scope**

The scope is generally consistent with the rationale and Priority objectives, and the range of activities appears intuitively reasonable.

It is stressed that activities will be closely targeted at generating growth in higher value added sectors in the region through both new starts and existing businesses. The scope appears quite wide given that it will be focusing on high growth new starts and accelerating the growth of existing businesses. Given that support will be intensive (and therefore expensive), there is a need to clarify in the list of indicators whether the targets for assisted business includes new starts.

We would suggest that there could be a little more clarity provided on the activities identified, particularly in relation to Environmental performance in business and Environmental technologies and renewable energy. The activity envisaged is expressed in rather vague terms and would benefit from some elaboration to give a better indication of the areas of support companies might benefit from.

Overall, the scope appears ambitious in relation to the limited resources that are available.

### **Performance Indicators**

The submission draft has submitted its list of indicators and targets at Priority level with the caveat that these may change following the publication of DCLG guidelines. At present, the outputs are generally consistent with the range of activities assisted.

Within the list of outputs there is no indicator to specifically identify the number of high growth new starts to be assisted. It is unclear whether these are included in the target for the number of businesses assisted to improve their performance and this should be clarified.

The relevance of the indicator reflecting the number of additional firms involved in business/cluster networks is unclear and does not obviously relate to the Priority scope.

At around £25,554, the public sector cost per net additional job appears high given the range of activities envisaged and little short of that for Priority 1.

The quantification is analysed in Chapter 7.

### **Integration of Lessons Learned**

This is covered in Chapter 4.

### **Integration of Environmental Sustainability**

The text on the Environment is presented at a broad level. It highlights the potential for the business base to introduce resource and energy efficiency processes and the implementation of environmental management systems.

However, it does tend to focus on vertical (specific actions within the scope of the Priority through the development of the Environmental technologies and Renewables sectors) rather than horizontal dimensions (general application of the principle within projects).

There is scope to provide some additional material on how the Environment as a CCT will be embedded into the delivery of Priority 2.

### **Integration of Equality of Opportunity**

There is also scope to improve the integration of EO issues in the Priority text. Presently, the text on equal opportunities does not identify the relevant EO issues that are likely to arise in a business development Priority despite acknowledging that there is 'an under-representation of many groups'.

We would expect material drawn from the evidence base and EO Profile to be applied more effectively here.

### **Identification of Lisbon Categories**

It is expected that at least 90% of funds will focus on Lisbon compliant activities. A total of 16 categories of intervention have been included, all of which appear consistent with Priority 2 objectives and activities.

### **Overall Assessment**

Again, in the judgement of the evaluators, a Priority covering enterprise and growth is potentially justifiable but needs to be better evidenced in terms of need and relevance.

The issues relating to intra regional disparities essentially mirror those in connection with Priority 1. There is a need for the Priority to be clearer about where the demand for assistance is likely to emerge in geographical terms. There appears to be an underlying assumption that demand for intensive support will emerge from businesses across the region whereas the lessons learned suggest that small and micro businesses lack capacity to absorb this kind of support.

This lack of clarity is reflected in the section on focusing resources where it is suggested that the Priority will not have an exclusively sectoral focus 'although it is expected that some sectors will feature more prominently than others'.

### 5.3.4 Priority 3 – Urban Enterprise

#### Objectives

The specific objective for Priority 3 is:

- increase the level of enterprise / social enterprise activity in the region's most deprived neighbourhoods.

As noted in Chapter 4, this Specific objective is consistent with the Global objective and relates to two of the four Operational objectives. It is not quantified or otherwise specified in line with SMART principles. This really requires linking with a target for new businesses assisted and gross jobs created / safeguarded.

The specific objective for Priority 3 is consistent with the rationale advanced.

#### Rationale

The rationale text has been extensively rewritten since the March draft, apparently in response to the observations of the ex-ante evaluators at that time.

The first half of the rationale text sets out a general discussion on the geographical nature of poverty and disadvantage in the UK, although this does not identify specific issues facing the South West. The text asserts a 'clear link' between deprivation and low levels of enterprise, which appears to be based on (unidentified) analysis by the Bank of England.

The second half of the rationale text proposes the targeting of actions in Bristol, Plymouth and Torbay, primarily on the basis of deprivation statistics. This rationale is further supported by reference to relatively low levels of enterprise in these local authority areas identified in the socio-economic analysis.

Collectively, this appears a reasonable basis for targeting, but we would note:

- the IMD data on deprivation used to justify the targeting, systematically underestimates deprivation in rural areas. The limited spatial analysis in the socio-economic analysis points also to deprivation in rural areas and the west of the region. This was also raised in the consultation.
- higher resolution information on business density and self-employment is available on the Office for National Statistics Neighbourhood Statistics website and would facilitate tighter targeting on deprived areas and a strengthened rationale.
- one of the lessons learned highlighted in the Priority text counsels caution in stimulating enterprise in deprived communities as opposed to measures that help residents to access employment. The guide suggests that the latter approach may offer better returns.

#### Scope

The target areas are yet to be defined. However, the resources in relation to the ambitions appear very limited. An average of €20 million per area over a seven year period, including support for small scale infrastructure works, fairly intensive business start-up and support services and providing access to finance is proposed.

## **Performance Indicators**

The submission draft has submitted its list of indicators and targets at Priority level with the caveat that these may change following discussions with DCLG.

The range of outputs is consistent with the range of activities identified and appears intuitively reasonable.

No suitable baseline data are presently available in the evidence base to facilitate future evaluation.

The public sector cost per net additional job is very high at c.£56,980, even by CED standards. The quantification is analysed in Chapter 7.

## **Integration of Lessons Learned**

This is covered in Chapter 4. However, we note that one of the key messages questions the efficiency of enterprise actions in deprived areas relative to measures to help residents return to work.

## **Integration of Environmental Sustainability**

The very brief material presented on the contribution of the Priority to the Programme's Environment objectives, but this tends to focus on vertical rather than horizontal integration.

The focus on the refurbishment of small-scale enterprise facilities as an activity is not supported by any evidence of demand in the evidence base. The scale of the facilities proposed appears very small.

We would suggest that this material is re-considered to reflect horizontal objectives in a more integrated fashion. More thought is required as to how it will be properly embedded within the Priority.

## **Integration of Equality of Opportunity**

There is no discussion of any substance surrounding EO issues beyond broad objectives based on women, BMEs and people with disabilities. No evidence has been presented on issues facing these groups in the urban areas within the evidence base.

It is suggested that local partnerships will be required to develop an access plan to address possible barriers to take-up by any of the key target groups. It would be helpful to elaborate on these barriers.

We would suggest that the author re-visits the material in the EO profile to highlight baseline data and some of the issues facing key target groups in the region's urban areas.

## **Identification of Lisbon Categories**

It is expected that at least 80% of funds will focus on Lisbon compliant activities. A total of 15 categories of intervention have been included. Given the issues raised in relation to this Priority we would query the inclusion of a number of these categories, notably those based on renewable energy, and other measures to stimulate research, innovation and entrepreneurship in SMEs.

### **5.3.5 Overall Assessment**

This Priority Text has been extensively reworked. Initially, we had concerns related to the adequate differentiation of the interventions proposed from the enterprise provisions in the earlier drafting of Priority 2. As a result of the evolution of Priority 2 and the greater emphasis upon innovative approaches in Priority 3, we are now satisfied that the differentiation is viable.

The rationale for the proposed targeting now appears reasonable on the basis of spatial concentration of deprivation and low levels of enterprise, but we would note that deprivation and an enterprise deficit also appears to exist in some rural areas of the South West.

In the judgement of the evaluators, this Priority entails higher than average risk, given the limited resources available (although this might be reduced through more local targeting) and the lessons from past Programmes concerning the relative efficiency of enterprise and labour market integration actions in deprived areas.

## 6 EVALUATION OF THE CROSS-CUTTING THEMES

### 6.1 Evaluation Questions

The purpose of this area of the Programme is to establish the rationale and relevance of the cross-cutting themes of equal opportunities and environmental sustainability to the Programme and how these will be carried through in practice. Evaluations of 2000-06 Programmes highlighted the amputation of the cross-cutting themes from the Priority Axis texts as weak practice, so it is important that the themes are adequately integrated at that level also.

The Equalities Impact Assessment process requires that the implications of the Programme for a broad range of equal opportunities target groups should be taken into account, while the NSRF includes a commitment to treating environmental sustainability as a cross cutting theme for all Structural Funds Programmes.

The main questions for the evaluation in this area are, for each theme:

- is there an adequate analysis of baseline and trends?
- is the relevance of the cross-cutting themes in the context of the Programme effectively drawn out?
- are the lessons of the 2000-06 Programmes identified and is it clear how these will be applied in the new Programme?
- are clear proposals for integrating the cross-cutting themes advanced?

### 6.2 Evolution of Draft

#### 6.2.1 Environment

The first draft of the section on the environment was submitted as part of the November draft, although it is unclear whether this was intended as an Environmental Profile. It covered few of the issues we would have expected as outlined in our Method Statement. Issues surrounding the region's environmental assets, such as landscape, biodiversity and the built and historic environment were discussed but there was no presentation of data or discussion of the issues in any depth.

The environmental challenges facing the region were not discussed in any detail, nor were the implications for the Programme developed. In addition, the environmental objectives presented in this section had not been integrated within the strategy. No changes were made to the environment section in the draft submitted for review in March 2007.

#### 6.2.2 Equality and Diversity

In the November draft, 'key facts' were presented in table form in respect of gender, age, ethnicity and disabilities. A limited discussion of the issues facing groups under these headings was presented and tended to focus on labour market-related data. An equal opportunities profile was not included in the reviewed March 2007 draft of the Programme.

## 6.3 Evaluation of April 2007 Draft

### 6.3.1 Environmental Sustainability

#### **Baseline and Trends**

The Environmental Profile presents no baseline or trend data. Under a sub-heading 'Key Facts' there is a brief discussion surrounding the nature of the environment in the region and does not cover the areas we highlighted in our Method Statement. There is a very limited range of baseline data included within the evidence base. At submission stage, we would have expected to have at least viewed a summary of the data / issues included in the environmental Scoping Report produced as part of the SEA process.

#### **Assessment of Issues**

The Environment Profile includes a brief section entitled 'Issues'. This reflects sustainability objectives as set out in the RES and confirms the region's commitments to meeting national targets for CO<sub>2</sub> emissions and renewable energy generation.

However, there is no comprehensive assessment of the issues facing the region in the context of the Programme.

Rather than addressing the three objectives identified in the Integrated Regional Strategy surrounding the region's physical environment and the sustainable use of natural resources, the emphasis within the Programme is for it to act as a 'pilot' for a low carbon approach to regional development. The commitment to reducing carbon emissions is presented as the dominating environmental issue facing the region. The discussion of environmental sustainability here appears to be mainly as a vertical rather than a horizontal issue.

#### **Lessons from Past Programmes**

The text notes that there was relevant learning in the previous Programme but is not explicit concerning these lessons and how these will be reflected in the 2007-13 Programme.

#### **Integration of Proposals**

The latest iteration of the Priority texts is more explicit concerning a horizontal approach to environmental integration than before but this could still be developed further beneficially.

The intention to undertake monitoring and to have partnership oversight of the environmental sustainability cross-cutting theme is encouraging and is reflective of the approach to environmental sustainability in the 2000-06 Programme.

It is only in the SEA statement and the responses to issues raised in the consultation that a real impression of the proposed breadth of environmental integration is conveyed. The proposals implied here imply a sophisticated approach that is not communicated clearly in the rest of the document. It would be helpful to illustrate the horizontal principle more clearly in the Priority texts through more diverse examples than those used at present. These tend to focus on energy and emissions and

appear more reflective of the vertical strands of environmental action proposed under the Priorities.

### **Overall Conclusions**

This is a complex Chapter that, in the judgement of the evaluators, would benefit from a clearer signposting of its structure and logic and which could better differentiate discussion of environmental sustainability as a vertical and as a horizontal issue. The evaluators suspect that the intentions as regards the environmental sustainability cross-cutting theme are probably better than they are represented in the draft Programme Document.

As the draft presently stands, the transition to a low carbon economy dominates the environmental focus of the Programme. While this is important, the evaluators have some concern that the focus on climate change - as represented in the draft Programme Document, at least - submerges the consolidation of the very considerable and broadly-based progress in relation to environmental stewardship that was achieved in the South West in the 2000-06 period.

### **6.3.2 Equal Opportunities**

#### **Baseline and Trends**

The baseline material remains substantially as per the November draft and comprises a 'key facts' summary covering:

- Gender.
- Age.
- Ethnicity.
- Disabilities.
- Sexual orientation.
- Religion/belief.

While useful as far as it goes, the contents of the table are far from comprehensive and do substitute the need for more systematic presentation of gender and other EO issues in the socio-economic analysis.

#### **Assessment of Issues**

EO issues are not assessed in any depth. However, there is a useful and generally competent table summarising the relevance of Equal Opportunities to each of the Programme Priorities. It would be helpful if this material were more explicitly integrated into the relevant sections of the Priority texts.

#### **Lessons from Past Programmes**

The lessons from the past Programme period are not highlighted. This would be useful insofar as Programme Managers have conceded that the approach to equal opportunities in the 2000-06 Programmes in the South West was less strong than that to environmental sustainability.



### **Integration of Proposals**

The latest iteration of the Priority texts is more explicit concerning a horizontal approach to EO than before but this could still be beneficially developed further

There are no partnership oversight proposals as advanced for the environmental sustainability theme.

### **6.3.3 Overall Conclusions**

There is much scope for improving the EO Profile, but this is based on a need firstly to establish a more comprehensive baseline position in respect of the groups identified. However, this does tend to reflect the approach taken in the evidence base, which does not present a consistent approach to the presentation of data or issues on a consistent basis. Had this been the case, submission of a more comprehensive EO Profile would have been possible.

The proposals for operationalising, managing and monitoring the EO theme require further development.

## 7 EVALUATION OF THE QUANTIFICATION OF THE PROGRAMME

### 7.1 Evaluation Questions

The purpose of this area of the Programme is to set out, in quantified terms, the proposed allocation of resources and the consequent outcomes that are expected to accrue at the level of *outputs*, *results* and *impacts*, with the last two categories being particularly important. *Results* represent the observable intermediate economic outcomes from spending Programme resources, whereas *impacts* represent the net economic outcome at the level of the beneficiary region. While it is important to set *impact* targets at the outset of the Programme, the out-turn can only be estimated using evaluation data for *results*.

The main questions for the evaluation in this area are

- are the performance indicators proposed meaningful, and capable of capturing the main outputs, results and impacts that can be expected to arise from the implementation of the Programme?
- do the targets at Priority Axis level aggregate to those set at Programme level?
- do the targets set appear to be realistic and achievable given the allocation of resources across the Programme?
- do the targets set represent value-for-money?
- what are the main risks to achievement of the targets?

### 7.2 Evolution of the Quantification

In the November draft, the public sector cost per net additional job was around £27,000 for Priority 1, £21,500 for Priority 2, and £61,000 for Priority 3. This appeared quite high and we noted that it would be useful to have more information on the interventions proposed and the benchmarks used to obtain the targets.

No targets were included in the March draft.

### 7.3 Evaluation of the April 2007 Draft

#### 7.3.1 Financial Table

The financial tables are presented and appear to conform with the required format. We note that the summary table included in the Executive Summary is not consistent with Table 7.2.

#### 7.3.2 Suitability of Performance Indicators

No definitions are provided to accompany the performance indicators proposed. Our careful examination suggests that they are correctly allocated as *outputs*, *results* and *impacts*, respectively.

Within a limited suite of indicators for each Priority, they appear to cover most of the main types of output to be supported and to capture the main economic outcomes and some environmental outcomes. It would be helpful to add an indicator for the number of new businesses assisted or businesses created in Priorities 1 and 2 The

output indicator *number of additional firms involved in business / cluster networks* is not clearly relevant to the scope of Priority 2 as described.

Indicators to capture the equal opportunities dimension of the Programme are identified in the cross-cutting themes Chapter. Evaluation of 2000-06 programmes found that this approach which effectively amputated the cross-cutting themes from the mainstream actions was unhelpful.

### 7.3.3 Quantification Process

We have had sight of the assumptions used in the quantification and it is clear that the targets are the product of a rational and systematic process. However, we identified a number of inconsistencies that have a significant effect on the targets set.

### 7.3.4 The Realism of the Assumptions and Targets Set

#### Priority 1

The interventions proposed appear to be skewed towards intensive interventions. The costs per business assisted, in the £7,000 to £20,000 range appear reasonable given the innovation focus. The cost of the interventions targeted comes to £61.6m (based on £=€1.5), slightly over the financial allocation to the Priority.

The public sector cost per net additional job is £27,906, slightly higher than the November quantification. However, the target for net additional employment is based only on the adjustment of the figure of 3,200 Gross New Jobs Created. It does not take account of Gross Jobs Safeguarded which will contribute to a net change in employment at the regional level. If this were included, net additional employment would be 2,822 and the public sector cost per job a more realistic £21,262.

The Gross increase in GVA is based on the number of new jobs only. This should include at least some GVA related to safeguarded jobs also as the counterfactual is that the GVA associated with these jobs may have been lost in the absence of the intervention. Likewise, the translation of (based on new jobs only) to Net Additional GVA (which refers to a net change in GVA at regional level and requires Gross safeguarded jobs also to be taken into account) is flawed.

The assumptions for deadweight and displacement appear reasonable. The multiplier of 1.2 appears conservative in relation to both supply and income effects, even allowing for the large rural component in the economy of the South West.

#### Priority 2

Again, the interventions proposed appear to be skewed towards intensive actions. Even so, the costs per business assisted, in the £6,000 to £20,000 range appears slightly high for enterprise and growth actions, even allowing for inflation to 2010, likely to be the average year for the Programme. The cost of the interventions targeted comes to £60.3m (based on £=€1.5), slightly over the financial allocation to the Priority.

The public sector cost per net additional job is £25,554, significantly higher than the November quantification and not much less than for Priority 1. However, the target for net additional employment is based only on the adjustment of the figure of 4,300 Gross New Jobs Created. It does not take account of Gross Jobs Safeguarded which will contribute to a net change in employment at the regional level. If this were

included, net additional employment would be 3,440 and the public sector cost per job a more realistic £17,442.

Again, the issues relating to Gross and Net GVA noted in relation to Priority 1 apply here.

The assumptions for deadweight and displacement appear reasonable. The multiplier of 1.2 appears conservative in relation to both supply and income effects, even allowing for the large rural component in the economy of the South West.

### **Priority 3**

For the most part, the unit costs for the outputs appear in line with our expectations. The exception is the average cost of £18,000 per individual assisted to start a business, which appears quite high, even allowing for the possible involvement of seed capital. The cost of the interventions targeted comes to £40.9m (based on £=€1.5), slightly over the financial allocation to the Priority.

The public sector cost per net additional job is £56,980, slightly reduced from the November, but high in absolute terms. However, the target for net additional employment is based only on the adjustment of the figure of 1,500 Gross New Jobs Created. It does not take account of Gross Jobs Safeguarded, which will contribute to a net change in employment at the regional level. If this were included, net additional employment would be 1,172 and the public sector cost per job a more realistic £34,130.

Again, the issues relating to Gross and Net GVA noted in relation to Priority 1 apply here.

We would have anticipated a lower level of deadweight for these interventions, but concur that a high level of displacement may be likely. There is a logical inconsistency insofar as the local multiplier proposed is higher than the regional multiplier used in Priorities 1 and 2. Multipliers increase with spatial scale. It should be noted that if the intention is to capture change in GVA and net additional employment at the local level, the impact figures for Priority 3 will not be capable of aggregation with those from Priorities 1 and 2.

### **7.3.5 Consistency of Priority and Programme Targets**

No targets are presently presented at Programme level or for the Global, Operational and Specific objectives. The indicators and targets developed at Priority level are eminently suitable for this purpose.

### **7.3.6 Overall Assessment**

The overall approach to the quantification is systematic. The assumed intervention costs for Priorities 2 and 3 appear quite generous.

In the judgement of the evaluators, the forecast employment impact is low and the public sector cost-per-job unrealistically high. However, this mainly reflects a flaw in the translation from gross to net employment effects. If this is amended, the evaluators would conclude that the targets were fit-for-purpose.

## 8 COMMUNITY ADDED VALUE

### 8.1 Evaluation Questions

The purpose of this area of the Programme is to identify the value-added that will accrue to Community support. The main questions for the evaluation in this area are:

- does the Programme Document explicitly identify the forms and scale of Community Added Value (CAV) that is expected to arise?
- in the absence of such identification, what, in the judgement of the evaluators are the main forms of CAV that are to be expected to arise?

### 8.2 Evolution of Text on Community Added Value

Neither the November 2006 nor the March 2007 texts made explicit reference to Community Added Value. The ex-ante evaluators have previously highlighted the importance that the Commission places on the visibility of the Funds and the need for them to add value over domestic interventions.

CAV may take a variety of forms, including:

- additionality of the activities supported and outcomes achieved, in terms of scale, quality and process added value, such as the subsidiarity arising from the regional partnership process, multi-annual planning, monitoring and evaluation culture, etc.
- any particular EU policy initiatives that have been added to domestic policy in the area to the Programme e.g. the formalisation of the cross-cutting themes.
- support for innovation and risk-taking under the Programme that may not be supported under domestic regimes.
- added value from exchange of good practice and from networking at a regional, national or international level, for example, through participation in the Regions for Economic Change Initiative.

### 8.3 Evaluation of the April 2007 Draft

The April 2007 draft still makes no explicit reference to Community Added Value.

#### **Overall Assessment**

In the judgement of the evaluators, there is probably substantial CAV in the South West Competitiveness Programme, but this needs to be drawn out. This may include:

- scale and qualitative additionality within the Agendas to the three Operational Priorities contribute.
- the formal integration of the cross-cutting themes which goes beyond corresponding processes in mainstream economic development.
- the proposed piloting of approaches to a lower carbon economy as a specific focus.
- the inter-regional co-operation and networking benefits from the envisaged participation in the Regions for Economic Change initiative.
- the particularly strong partnership participation in the Competitiveness Programme processes.

## 9 IMPLEMENTATION ARRANGEMENTS

The implementation arrangements for the 2007-13 Programmes are being negotiated at national level, separate from the development of ERDF Programmes. A standard text, agreed with the Commission will be inserted in each Programme and will cover:

- management arrangements, including delegation of management and the commissioning approach.
- State Aid.
- proposals for monitoring and evaluation.
- complementarity with and demarcation between other forms of Community Support.
- publicity for the Programme.
- Technical Assistance.

The proposals are not yet agreed and available for comment by the ex-ante evaluators.

## 10 CONSULTATION

### 10.1 Evaluation Questions

Structural Funds Programmes are required to be developed in partnership and Regulations require that stakeholders should have the opportunity to contribute to the development of the Programme and to comment on the proposals. This dimension to Programme development has been reinforced as a result of the particular consultation requirements that go along with Strategic Environmental Assessment, which has become an integral part of the Programme development process for the first time.

The main questions for the evaluation in this area are:

- what opportunities have been afforded to partners to contribute to Programme development or to comment on the proposals?
- what were the main issues raised in the consultation process?
- to what extent have the results of consultation influenced the strategy and proposals for its implementation?

### 10.2 Opportunities for Consultation

The South West Competitiveness Programme is distinctive in the particularly intensive involvement of Partners in the Programme preparation process. This has variously involved:

- opportunity to participate in various stakeholder events.
- development of the Programme through numerous Task and Finish Groups involving representatives from stakeholder organisations.
- a formal consultation on the draft Programme Document.

The evaluators attended one of the formal promotional events. These were well attended and enjoyable. Participants clearly appreciated the opportunity to contribute their views, even though the level of understanding of the Programme among participants was variable.

### 10.3 Outcome of Consultation

#### 10.3.1 Issues Identified

The Plan Development Team report that the outcome of the consultations has largely been supportive of the proposed approach and this is confirmed by our own reading of the consultation responses. Beyond request for funding of consultees' particular interests, there was general support for the overall aims of the Programme.

It appears that the main changes to the Programme Document arising from the various consultative processes are as follows:

- a greater sensitivity for rural proofing taking account of the higher costs of delivery and the dispersed nature of disadvantage in rural areas compared with urban areas.
- the merger of business start-up and business support strands in Priority 1.

- adjustment to the approach to environmental technologies and renewable energy to reflect a low carbon approach as opposed to a carbon-neutral approach.
- there has been agreement on criteria for focusing the limited resources in the Programme, resulting in the identification of selection criteria in each of the Priority texts.

### **10.3.2 Overall Assessment**

The evaluators conclude unreservedly that the Programme development approach has provided a substantial opportunity for consultation and, although the changes are modest, the consultation has been reflected in the submission draft in a meaningful way.

At the same time, the evaluators are aware that the intensive participative processes have contributed to slippage and limited the time invested in drafting the Programme Document. It appears to the evaluators that the limited time allowed for drafting is the main reason for the weaknesses that remain in the draft.



## 11 CONCLUSIONS AND RECOMMENDATIONS

With the exception of the Chapter on Implementation Arrangements, a complete draft of the Programme Document for the South West of England Regional Competitiveness and Employment ERDF Programme 2007-13 has now been assembled. In the judgement of the evaluators, the document contains the elements prescribed in DCLG's template and represents a viable basis upon which to commence negotiations.

There are a number of strengths to the draft Programme Document and its process of preparation. We would highlight in particular:

- it is well grounded in the relevant UK and UK policy contexts.
- it is predisposed towards innovation.
- there has been an effort to make choices, reflecting the limited resources that are available.
- there has been a very full consultation process the results of which have influenced the detail of the Document.
- there has been a substantive and participative SEA process.

The strategy for the Programme was decided early in the process. Rather than being derived from a set-piece analysis for the Programme, the Priorities were identified through debate among partners concerning:

- regional priorities as reflected in the Regional Economic Strategy and the Regional Spatial Strategy.
- the strong focus provided for Competitiveness Programmes by the combination of the ERDF Regulation, the Community Strategic Guidelines and the National Strategic Reference Framework.

In the judgement of the evaluators this is a reasonable approach. However, it is one which places a premium on justifying the strategy through a high quality analysis. As presently drafted, the strategy does not flow clearly from the socio-economic and SWOT analyses and the depth of analysis is not presently sufficient to provide a solid justification for the Priorities and their constituent actions, for example:

- Priorities 1 and 2 contain proposals that are intended to address relative weakness in innovation and business development in the west of the region. However, this is not supported by a spatial analysis which would help clarify the potential for take-up of this support, given the sectoral composition and scale of businesses in the west of the region.
- Priorities 1 and 2 propose a particularly strong focus on developing an environmental technology and renewable energy sector. While increased regulation presents a significant market opportunity, the potential for its realisation is not made clear through the identification of relevant strengths in the South West's technology institutions or in its business base.

For the most part, the evaluators believe that the proposals are capable of justification, either through better reference in the Priority rationales to the material that is present in the evidence base, or by strengthening the evidence base with material that is readily available.

The evaluation has identified numerous technical issues that require to be addressed:

- the SWOT analysis is technically weak and does not lead to clear conclusions concerning the identity and weighting of the Priorities.
- the specification of objectives is weak and they lack quantification.
- the treatment of the cross-cutting themes requires to be strengthened:
  - in the case of equal opportunities, the analysis of gender and other target groups is weak and the proposals for addressing these groups needs to be more strongly integrated in the Priority texts.
  - in the case of environmental sustainability, again the situation analysis is weak. This should be easily resolved by summarising relevant material in the SEA. The section on environment within the cross-cutting themes Chapter is complex and does not clearly differentiate the treatment of environment as a vertical rather than a horizontal issue. However, the incorporated SEA statement clearly anticipates a strong horizontal approach; this could be better reflected in the relevant sections of the Priority texts.
- the general approach to programme quantification is sound, but there are a number of inconsistencies in the production of the targets. If resolved, the evaluators believe that, assuming there is take-up of the support, the results and impacts targets should be achievable and represent reasonable value for money.
- the evaluators believe that the Programme offers considerable Community Added Value but, at present, no mention is made of this. It is important to draw out the distinctive contribution to regional economic development that the Funds will make and to ensure their visibility.

As with the justification of the strategy and actions, the evaluators believe that most of these shortcomings can be addressed fairly easily given time and a resolve to work through the issues thoroughly. Appreciating the need to submit the Programme Document imminently, we recommend that the Partners continue to work on the areas highlighted ahead of negotiations.