

SW COMPETITIVENESS OPERATIONAL PROGRAMME

COMMENTS ON EX-ANTE APPRAISAL REPORT

The following text sets out the conclusions of the recent report from the Ex Ante Evaluator, followed by a response by the stakeholders. A number of amendments have been made with take account of these remarks, notably on quantification. Programme Added Value; Community Added Value, and Equal Opportunities.

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

After careful consideration the stakeholders are of the view that there is a flow from the economic analysis and SWOT to the Priorities. The stakeholders take a wider view than the Ex Ante Evaluators, in that policy and the views of the wider Partnership also influence the selection of Priorities. The stakeholders are content that the three Priorities selected present an appropriate approach, and that the selection criteria set out in the document will allow resources to be focussed appropriately.

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 justified through a spatial analysis of business sectors to establish whether the business base is likely to take up this support.*

The issue of whether the business base is likely to take up the support focussed on innovation and business development is not a major concern. Priorities 1 and 2 each have circa £4.2m of ERDF support per annum, a proportion of which will be invested in businesses in the west of the region. Given the size of the region (4.5m people, excluding Cornwall) and the size of the business base, stakeholders have no doubts that there is sufficient demand for the support to be made available. This has been tested with all of the agencies involved in the delivery of innovation and business development.

The resources available to the Operational Programme are

- *Priorities 1 and 2 propose a particularly strong focus on developing an environmental technology and renewable energy sector. However, this is not clearly justified in the analysis either in terms of the South West possessing relevant strengths in its technology institutions or its business base.*

The focus on these sectors is driven by the opportunity (see attached DEFRA Press Release), as much as the strengths, and not by the strength of technology institutions per se. The evidence presented with regard to the sub sectors is more than sufficient, although stakeholders will be keen to identify the most appropriate sub sectors as actions are commissioned. In summary, these sectors are a priority for the Regional Economic Strategy, have been endorsed at all of the consultation events, and are opportunity based. The stakeholders strongly believe that sufficient justification for this

focus to be included in the Operational Programme. Again, given the scale of resources available each year, there is little danger of there being insufficient demand to absorb the funds available.

- *Priority 3 proposes concentrated effort in a limited number of deprived areas to stimulate enterprise. However, the evidence base presents no substantive spatial analysis of enterprise that justifies this approach or the areas selected. Such evidence as is available points also to deprivation and disadvantage in the South West's rural areas.*

The Operational Programme includes the spatial analysis which underpinned the LEGI Initiative. This analysis was authoritative enough for the Government to devote several hundred million pounds tackling enterprise in disadvantaged neighbourhoods. In summary, the evidence provides an authoritative analysis of the link between low levels of enterprise and disadvantage neighbourhoods. The Operational Programme sets out a clear approach – there is an enterprise gap in disadvantaged neighbourhoods; this is one element of tackling the problems of disadvantaged neighbourhoods; a focussed approach both thematically (enterprise) and spatially (three areas) is a responsible approach given limited resources; and the failure of conventional business support to reach these areas, along with the Government conclusions that a new locally based initiative was required, supports the approach of a dedicated Priority, rather than an addition to an Enterprise Priority. This approach has been strongly supported at consultation events.

The Ex Ante Evaluator is correct to identify rural disadvantage, although this is more a result of lower paid and part time employment. Consequently there is a requirement to ensure that business in rural areas and the west of the region are able to access resources in Priorities 1 and 2. In addition, resources to tackle rural disadvantage are available through the RDP (funded by EAFRD) and the Regional ESF Framework. The stakeholders are confident that Priority 3 is one of the strongest elements of the Operational Programme.

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 SWOT has been extensively revised and stakeholders are content that it is robust and fit for purpose. The Ex Ante Evaluator sets out an approach where the SWOT is the sole determinant of Priorities and action. The Stakeholders believe that policy and stakeholders views (including DG Regio) also influence Priority selection, specification and weighting. In particular the use of the SWOT to determine the weighting of Priorities would lead to a mechanistic approach, and take no account of policy or stakeholder views.

- *the specification of objectives is weak and they lack quantification.*

The objectives have been agreed after widespread consultation with stakeholders. They have also been amended in the light of earlier comments by the Ex Ante Evaluator. In order to clarify the relationship between the objectives and the expected impacts, a new

section has been added on programme added value. This will address the issue of lack of 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.*

The Equal Opportunities Theme has been amended in the light of these comments, both in the dedicated Chapter and the Priority text. In addition, an extended Annexe of baseline data has been provided. Additional elements have been included with regard to the organisational arrangements to ensure that the Equal Opportunities Cross Cutting Theme will be effectively implemented and identify the types of support most relevant to each of the Priorities.

- *in the case of environmental sustainability, again the situation analysis is weak. This should be easily resolved by summarising relevant material in the SEA. Most of the material produced by the drafting team focuses on environment as a vertical rather than a cross-cutting issue. However, the incorporated SEA statement clearly anticipates a strong horizontal approach; this is not reflected in the rest of the Programme document.*

This conclusion been carefully considered by the stakeholders. The conclusion is surprising. The situational analysis is considered to be sufficient, and reference is provided to other sources of baseline data. There does not appear to be significant value from adding more baseline data into the Operational Programme. With regard to the SEA, stakeholders have liaised very closely with the SEA lead consultant and consider that all of the points raised have been taken on board. The Operational Programme identifies the main conclusions of the SEA, and a point by point response by stakeholders. This includes explicit commitments to specific actions. The stakeholders consider that the Priorities as drafted, the Cross Cutting Theme Chapter and the response to the SEA are sufficient to continue the South West's role as a leading region in incorporating environment matters as a major influence in European Programmes.

- *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 quantification has been amended in the light of the comments. In particular, the multiplier has been increased from 1.2 to 1.35, an increase of 12.5%. This has significantly increased the net impacts, a point raised by the Ex Ante Evaluator. The Urban Enterprise multiplier has also been raised, reflecting the very high local impact of the added economic activity (at the City level).

- *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.*

This is a very good point, well made, and the Operational Programme has been amended to bring out much more explicitly the Community Added Value, using the guidance provided by the Ex Ante Evaluator.

DEFRA Press Release: The third Summary for Policymakers to be published as part of the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC). The technologies that can help combat climate change already exist, the latest international report on climate change has concluded today.

Low carbon ways of generating energy and heat and powering transport are already available, but the report, by the Intergovernmental Panel on Climate Change (IPCC), notes that without agreement on how to cut emissions globally, and the introduction of policies that can help put these technical solutions into practice, greenhouse gas emissions will increase by between 25 to 90% over the next two decades.

The report also notes that postponing action to cut greenhouse gas emissions will make it more difficult and expensive to reduce emissions in the future, as well as creating higher risks of severe climate change impacts.

Welcoming the new report, Environment Secretary David Miliband said:

"Last year, the Stern Review showed that we needed to act urgently to tackle climate change and that it was economically feasible to do so. The IPCC has today confirmed that finding – and that we have access to the technology we need to take that action. We simply can't afford any other option but to act, and to act now.

"Without a new global deal on climate change, emissions of greenhouse gases will continue to increase. While this risks increasing the suffering of many of the world's most vulnerable people as a result of drought, food shortages and floods – the UK and other developed countries will not be immune from the consequences.

"That's why we're pushing hard for negotiations to start on a new global climate deal this year – and are working through the G8 group of nations and the UN climate change conference.

"We in the UK are also serious about meeting our own global responsibilities to cut emissions and recently published the draft Climate Change Bill, which will cut carbon dioxide emissions by 60% by 2050, and support us in becoming a low-carbon economy."

Trade and Industry Secretary Alastair Darling added:

"Over 20 trillion dollars needs to be spent globally on energy infrastructure like power plants over the next 25 years. Our aim is that this money is spent on technology that is low-carbon and not high-carbon.

"It is crucial that governments around the world not only encourage these technologies, but also implement policies to support them.

"This report makes clear that putting a price on carbon, so that polluters pay the price of their emissions, is critical. Measures such as the EU Emissions Trading Scheme help business find cost effective ways of reducing emissions and encourage the take up of low-carbon technology."

A global carbon market plays a vital role in creating global prices for carbon and can stimulate private investment in clean technology and energy efficiency, rewarding businesses which develop future technologies first. These markets, worth over 7.6 billion euros in 2005, can also generate enormous resource transfers to developing countries through the Clean Development Mechanism.

However, emissions trading is not enough to drive investment in low carbon technology. That is why the UK is working to promote low-carbon energy and technology take up through the Gleneagles Plan of Action, agreed at the G8 summit in July 2005. The plan is aimed at boosting the deployment of clean technologies, such as renewable energy technology and carbon capture and storage, as well as providing incentives for large scale private sector investment in low carbon technologies, working with the World Bank.

The UK is also working closely with key countries such as India and China in promoting new technologies. The near-Zero Emissions Coal (nZEC) project aims to demonstrate coal fired power generation with carbon dioxide capture and storage technology in China by 2020. The UK is also working with India on a project to assess the barriers to the transfer of low carbon energy technology between developed and developing countries.