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## EXECUTIVE SUMMARY

### Introduction

The Scottish Objective 3 Operational Programme was developed within the context of the Community Support Framework for Great Britain. The Operational Programme was agreed by the European Commission in Summer 2001. The Programme Complement has been developed in line with guidance produced by the Commission, and deals with, inter alia, the measure level financial allocations and targets. This Ex Ante Evaluation reviews the Programme Complement in line with the Commission Guidance produced in "*Working Paper No 2 The Ex Ante Evaluation Of The Structural Funds Interventions*".

### Assessment Of The Rationale and Consistency Of The Strategy

In the Operational Programme, for each measure, an overall aim is presented along with a number of objectives. This was more than the minimum required, and the Programme Complement reproduces, but does not extend, these objectives. As a result, the assessment of consistency between operational and global objectives has already been completed as part of the Ex Ante Evaluation of the Operational Programme itself.

The financial allocations between Priorities has been outlined in the Operational Programme. The allocation within priorities to individual measures has been reviewed and these appear to be reasonable, and in line with the operational objectives, and the rationale and analysis presented in the Operational Programme.

### Quantification And Analysis Of The Expected Impacts

#### Selection Of Indicators

The majority of the indicators selected are appropriate to the measure objectives and activities concerned. The majority were used in the former Objective 2, 3 and 4 Programmes and will be familiar to the majority of project sponsors. A number are likely to be less familiar to some project sponsors, and clarification and guidance would be helpful.

The output indicators selected are straightforward, although the Lifelong Learning indicators are less informative than those used in the other Priorities, where the majority of expenditure relates to output indicators linked to beneficiary numbers. In a number of Priorities, there is scope for confusion in certain measures where different sets of beneficiaries could be supported by the one project e.g. number of SMEs, and number of people trained. These issues need clarification, but are not significant.

With regard to results, the Lifelong Learning results indicators are based on the assumptions that new systems and process, or partnerships and networks will ultimately "benefit" a significant number of people. This is an appropriate approach, but there is little evidence available to support the quantification or to determine what "benefit" actually means. While some projects will directly benefit an easily identifiable and measurable number of beneficiaries, for example through the provision of a particular training package, for other projects the benefits will be less easy to quantify. Again clarification and guidance is required.

The use of new and safeguarded sales to assess the effects of training and learning support on company performance will be familiar to some but not all project sponsors. Guidance is required in terms of the definitions and on how monitoring data should be collected.

The selection of indicators uses the core ESF indicators used in the UK Community Support Framework and the English Operational Programme. The output (activity) and results indicators are on the whole straightforward. Many project sponsors will be unfamiliar with the impact indicators.

It is recommended that:

1. Clear definitions of each indicator is produced to ensure consistency of interpretation by project sponsors;
2. Positive outcomes should be disaggregated by gender to ensure that equal opportunities and gender mainstreaming objectives can be closely monitored;
3. Aggregate positive outcomes indicators, such as people going onto further education or training should be explicitly built up from positive outcomes developed from the activity indicators e.g. people given training going onto further education and training and people given guidance going onto further education and training;
4. Guidance on how sales should be measured and monitored will be required to ensure that project sponsors produce reliable forecast and then reliable monitoring data; and
5. the use of the terms companies, SMEs, enterprises and businesses should be rationalised and clarified to reduce confusion and improve consistency of reporting

### **Quantification Of Indicators**

The quantification of the Programme Complement has been undertaken using a series of unit costs assumptions, and forecast positive outcome indicators based on previous experience and knowledge of the target groups. On the whole the quantification is sound, but there are a number of targets that could usefully be reviewed.

The quantification of the outputs is based on assumed average unit costs. These targets can be achieved provided that the selection and appraisal system takes into account the forecast number of beneficiary in relation to financial spend.

The key recommendations with regard to the quantification are:

1. The unit costs should be re-considered to take account of the length of the Programme or targets should be re-considered at the mid term to re-calibrate the unit costs based on up to date prices;
2. All results should be expressed as percentages first, and numbers second, with monitoring focussed on ensuring that the percentages of those reporting are in line with expectations;
3. Positive outcome targets should explicitly relate to the activity (output) group – people trained, given guidance, or wage subsidy support, and greater clarity is required where positive outcome targets are aggregated up;
4. The results targets should be reviewed to include more targets with regard to women;

5. The unit costs of £1,600 for training under Active Labour market should be reconsidered, given the focus on older people and the long term unemployed;
6. The target of the number of people going onto further education and training appears high and should be re-considered in both Priorities 1 and 2;
7. Guidance is needed to assist project sponsors to monitor the results of Priority 3 activities, including a timeframe for the realisation of results;
8. In Priority 4A, there are inconsistencies in the targets for companies and SMEs assisted and the indicators needed to be clearly defined and targets re-considered;
9. The Priority 4B measure 2 targets are very high, and it is not clear how they can be achieved given the Measure budget, a review is required;
10. The Priority 5 measure 2 targets of 50% of beneficiaries to be female is low, given that women are excluded from higher paid and higher skilled jobs more often than men, reconsideration of this target would be appropriate. The results targets for Priority 5 measure 2 are difficult to understand and should be re-considered and/or explained in more detail.

## Monitoring And Evaluation

The effective monitoring and evaluation of the programme is required to both assess efficiency and effectiveness, and to allow the PMC to direct and re-direct the Programme as progress reports on early activity are made available. It is recommended that:

1. Clear guidance is provided on the definitions of indicators and **how** monitoring data should be collected;
2. A robust management information is established which allows for the electronic storage of data and the facility to track groups of beneficiaries at the sub measure level;
3. Application and monitoring data is entered into the electronic database in a timely manner;
4. The PMC is provided with management information with regard to financial commitment and spend, forecast and actual activity and results targets on a regular basis;
5. Particular attention is paid to identifying under-spend;
6. A costed evaluation strategy is developed at the earliest opportunity, with an emphasis in covering gaps in the monitoring data.

## The Performance Reserve

The most important area for revision is the Performance Reserve targets. The Scottish Programme Complement has set targets at a level of detail that is un-necessary, and has used actual rather than percentage figures based on a large proportion of projects being able to provide both output and results monitoring data for the end of 2003. This is unrealistic and may lead to the Programme failing to meet the Performance Reserve targets on the basis of the availability of data, as distinct from a real under-performance.

It is strongly recommended that the number of Performance Reserve targets are reduced, and that the results targets in particular as set as percentages of *reported* positive outcome indicators, rather than as actual numbers. This matter should be taken up with the Commission as soon as possible. It is worth noting that the English Operational Programme has set a much more restricted range of targets for the Performance Reserve, with very few Priority specific targets set.

It is recommended that as far as possible the Scottish Performance reserve targets follow the more limited English Performance Reserve targets. In particular is recommended that:

1. Outputs targets are removed from the Performance Reserve indicators, or if required a maximum of two per policy field are provided, and these should cover outputs expected from anticipated expenditure in years 2000-2002;
2. a more limited range of results indicators are agreed, and these are expressed as percentages;
3. The audit target is set at 5% of *expenditure*; and
4. The private sector financial target is deleted.

### **Quality Of The Implementation And Monitoring Arrangements**

The commitment to a common project database is a welcome development. A project database, capable of producing timely and accurate management information, is essential to the effective monitoring of the Programme, and is crucial to identify potential problems with regard to the Performance Reserve indicators.

New arrangements are also expected in relation to application and appraisal and selection criteria, and new and improved guidance to assist applicants. No information has been presented in the Programme Complement as to how the experience of previous Programmes has been used to develop new arrangements, although this will presumably be outlined in any PMC papers. In England, the most significant changes has been a move away from decisions based on an overall score, and the introduction of co-financing. The continuing commitment to an open competition system could reduce the likelihood of the targets being realised.

It is not clear how the appraisal and selection system will help to ensure that the Programme targets are met. There are a number of mechanisms through which this could be achieved. This includes making the contribution to targets a key influence in either the scoring system, of the selection/decision making process, or regularly reviewing progress at the end of each bid round to make adjustments to future arrangements.

It is recommended that:

1. The appraisal, selection and decision making systems are reviewed to ensure that they contribute to ensuring that the Priority and Measure level targets, and Performance Reserve targets are met.

## 1 INTRODUCTION

The Scottish Objective 3 Operational Programme was developed within the context of the Community Support Framework for Great Britain. The Operational Programme was agreed by the European Commission in Summer 2001.

The Programme Complement has been developed in line with guidance produced by the Commission, and deals with, inter alia, the measure level financial allocations and targets. This Ex Ante Evaluation reviews the Programme Complement in line with the Commission Guidance produced in “*Working Paper No 2 The Ex Ante Evaluation Of The Structural Funds Interventions*”.

### Coverage

This report covers:

- Assessment of the rationale and consistency of the strategy
- Quantification and analysis of the expected impacts
  1. selection of indicators
  2. quantification of the indicators
  3. the degree of monitoring and evaluation coverage
- Quality of the implementation and monitoring arrangements

As with many other UK Programmes, the Scottish Objective 3 Operational Programme provided more detailed information than the minimum required with regards to individual measures. At the same time, the appraisal, selection and management arrangements have been dealt with outside of the Programme Complement, through the presentation of papers to the PMC. In addition, papers have also been prepared on subjects such as evaluation. As a consequence, not all of the material covered in the Commission Guidance has been presented as part of the Programme Complement, although substantial development work has been undertaken and agreed with regard to implementation arrangements.

The assessment of the quantification draws upon the targets set in the English Objective 3 Operational Programme and the evaluation of the former Objective 3 Programme. In the case of the English Operational Programme there are a number of differences between the two Programmes that mean that only a limited number of measures can be compared. There are, however, some important differences with regard to the quantification of outputs, although there are fewer differences with regard to positive outcomes.

With regard to the evaluation of the previous Objective 3 Programme, some useful benchmark data, on aspects such as the number of completers, and proportion of beneficiaries who were female, allow comparisons to be made.

## 2 ASSESSMENT OF THE RATIONALE AND CONSISTENCY OF THE STRATEGY

### Operational and Global Objectives

The Commission Guidance indicates that the Programme Complement should be assessed with regard to the consistency between the operational and global objectives. This exercise is not required in this case, due to the level of detail provided in the Operational Programme itself.

In the Operational Programme, for each measure, an overall aim is presented along with a number of objectives. This was more than the minimum required, and the Programme Complement reproduces, but does not extend, these objectives. This is appropriate as the majority of measures presented in the Programme Complement have two or more objectives, and the addition of more objectives would be un-necessary and counter-productive in terms of assessing progress toward the global objectives. As a result, the assessment of consistency between operational and global objectives has already been completed as part of the Ex Ante Evaluation of the Operational Programme itself.

It is worth noting that the measure level aim presented in the Operational Programme relates closely to the global objective for the particular Policy Field, while the objectives presented tended to be more operationally focused and concentrate on particular sub-themes within a measure.

### Financial Allocations

The financial allocation between Priorities has been justified within the text of the Operational Programme, and agreed with the European Commission. There is a need to examine the financial allocations within Priorities i.e. to each Measure, to assess the extent to which allocations will contribute to the overall objectives of the Priority.

In Priority 1 Measure 1.1, targeted at those unemployed between 6-24 months, has been allocated €81.709m of ESF resources, while €35.018m has been allocated to measure 1.2 aimed at raising the employability of older workers. These allocations reflect the likely number of beneficiaries in both categories. The evaluation of the previous Objective 3 Programme highlighted difficulties in reaching older workers. The focussing of a measure on this group represents a positive response to an identified weakness in the previous Programme. It also responds to the growing tendency for older people to be more likely to remain on the unemployment register for some time.

In Priority 2 Measure 2.1, targeted at the social exclusion of thematic groups, has been allocated €71.009m of ESF resources, while €71.009m has been allocated to measure 2.2 aimed at addressing urban exclusion, and €26.629m at addressing rural exclusion under Measure 2.3. The resources targeted at urban exclusion might be regarded as low given the concentration of those suffering from poverty in a limited number of urban areas. Although rural “exclusion” is an issue, the scale and concentration of multiple derivation in the worst urban areas is of a different order of magnitude compared to many of the rural areas targeted for support.

In Priority 3 Measure 3.1, which aims to help modernise the learning industry, has been allocated €19.455m of ESF resources, while €29.182m has been allocated to measure 3.2 aimed at developing new approaches to lifelong learning. Given there is little previous evaluation or other data available with regard to these activities, it is not possible to reach a judgment on how appropriate the allocations to each measure are.

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In Priority 4A, Measure 4A.1, positive actions for workforce training and learning, has been allocated €16.415m of ESF resources, while €38.301m has been allocated to measure 4A.2 aimed at raising the skill levels of the workforce, and €27.358m at training for higher level skills and improved management under Measure 4A.3. These allocation seem reasonable, with the first measure concentrating on activities such as training needs analysis likely to lead to training being given a higher priority within companies, while the other two measures allocate resources to workforce and management training respectively.

In Priority 4B, Measure 4B.1, promoting and developing an enterprise culture, has been allocated €7.660m of ESF resources, while €19.698m has been allocated to measure 4B.2 aimed at new firm formation. The allocation of resources reflects the policy priority as regards increasing the business birth rate in Scotland, and the need to secure both a cultural change and support those starting up in business through the critical early stages of trading.

In Priority 5, Measure 5.1, promoting positive action, has been allocated €10.214m of ESF resources, while €23.832m has been allocated to measure 5.2, positive actions for individuals and companies.

## **Conclusions**

The Programme Complement has not introduced additional operational objectives. This reflects the decision to specify both Measure level aims and objectives in the Operational Programme. These objectives were covered by the Ex Ante of the Programme, and there has, therefore, been no need to repeat the exercise in this report.

The financial allocations between Priorities has been outlined in the Operational Programme. The allocation within priorities to individual measures has been reviewed and these appear to be reasonable, and in line with the operational objectives, and the rationale and analysis presented in the Operational Programme.

### 3 QUANTIFICATION AND ANALYSIS OF THE EXPECTED IMPACTS

#### Selection Of Indicators

The indicators selected are similar to those used in the English Objective 3 Programme and the Objective 1 Programmes. These are, as such, standard ESF indicators, although there is still a need to provide precise definitions to remove any uncertainty in terms of terminology.

The Complement separates out guidance and training, using a monetary demarcation. This allows a distinction between those provided with substantive support and those provided with more general support. This is an appropriate demarcation, even though there may be times when beneficiaries are actually given “training” which is classed as guidance due to the costs involved. This demarcation allows more realistic forecasts to be set for positive outcomes, based on the level of support provided and taking into account the target client group.

The least precise indicator is the beneficiary gaining a (part) qualification. It is not clear if a part qualification actually confers any advantage on the beneficiary, or has been introduced in response to the low proportion of beneficiaries securing completed qualifications. It is assumed that part qualifications are some kind of accredited result, rather than a recording of participation. The English Programme uses the indicator “working to towards a qualification”, although it is not clear how useful this indicator is.

It would be helpful to have an indicator for beneficiaries securing a (completed) qualification and the level of qualification. This would allow a clearer picture to be presented of the numbers of beneficiaries with a qualification, and the level of qualifications that beneficiaries are securing.

Detailed guidance will be required with regard to the impact indicator relating to in work after ESF support (net of deadweight). Many applicants will not be familiar with the indicator, and will need guidance in how to arrive at a forecast figure.

Issues related to the selection or use of particular indicators are discussed by Priority below:

**Priority 1** An indicator for beneficiaries completing their course is provided. It would be helpful to distinguish between those given guidance completing their course, and those given training completing their course. It is likely that the guidance beneficiaries should have a much lower drop out rate, as the support is normally over a short duration. The drop out rate by type of beneficiary or training is an important piece of management information and greater clarity would be helpful. This can be applied to all measures.

In terms of results, it would be more transparent to group the positive outcome indicators into three groups – people given training, people given guidance, and people provided with wage subsidy support, with four possible positive outcomes for each group - into employment, self employment, training, and gaining a (part) qualification. A beneficiary could be recorded under a maximum of two of the four outcomes i.e. gaining a (part) qualification, plus one other.

It is not clear in the current text how target for the people going on to further education or training has been estimated – it presumably includes a high proportion of people given guidance and a lower proportion of people given training (who are more likely to secure employment). A clearer separation of outcomes back to the beneficiary group would be helpful.

There are no results indicators for women, although this may be available from the monitoring data. Given the commitment to equality of opportunity and gender mainstreaming, setting targets for the number of women gaining employment and qualifications would be helpful. The evaluation of the former Objective 3 target indicated that although women were more successful at securing qualifications, they were less successful at finding employment. The selected indicators should allow this situation and other relating to women to be monitored.

**Priority 2** As with Priority 1, in terms of results it would be more transparent to group the positive outcome indicators into three groups – people given training, people given guidance, and people provided with wage subsidy support, with four possible positive outcomes for each group - into employment, self employment, training, and gaining a (part) qualification. A beneficiary could be recorded under a maximum of two of the four outcomes i.e. gaining a (part) qualification, plus one other. This would allow variations within particular types of support to be monitored.

The most problematic indicator is “people going onto further education or training”. This appears to be an aggregate for people given guidance and people given training, but it is not clear what each group is contributing to the figure. The separation of these two groups – those trained going on to further education and training and those given guidance going onto further education would be more transparent.

**Priority 3** is focussed on developing the capacity of the training industry to deliver services relevant to the need of the individual. It uses a number of non-standard ESF indicators, such as new systems developed/implemented, new materials developed and networks/partnerships supported. Although apparently self-explanatory, it would be useful to develop clear definitions of each of these indicators.

The results indicators include targets for the number of people likely to benefit from initiatives for new learning material. Clear guidance will be required to ensure that the results forecasts are realistic and capable of being effectively monitored. This will include a set timeframe, such as for two or three years after the project has been completed. It will also have to include guidance on what is meant by a “benefit”. A network for example providing information to FE lecturers on best practice could in theory benefit every student in every college in Scotland. In practice this is unlikely to be the case. This indicator will be more relevant where new materials and training products are developed.

**Priority 4** There are a number of indicators in this Priority that require to be clearly defined to ensure that there is a consistency of reporting by project sponsors. This includes promotional activities undertaken (is a series of workshops one promotional activity or a number of promotional activities), and companies benefiting from new materials.

Priority 4A has used the results indicator of new and safeguarded sales to assess the benefits to companies of the training provided. Although some project sponsors will be familiar with this indicator, other may need guidance with regard to the definition and to the collection of adequate monitoring data. This will require the cooperation of the company, rather than the employee who may be the direct beneficiary.

The Priority uses the term companies helped and SMEs assisted. It is not clear what the distinction is, although presumably companies assisted would include large companies.

Priority 4B would benefit from the introduction of a targeted for the number of people attending events, not just the number of events organised. It is not clear why two similar indicators have been presented – net number of new businesses running after 18 months,

and number of firms established still trading after two years. One indicator uses the term net while the other does not. Also, the indicators use the term self-employed, enterprise and business. Clear definitions are required if these are regarded as different.

**Priority 5** includes indicators on companies introducing family friendly policies and those receiving training securing employment in sectors or occupations where a gender is under-represented. These will require clear definition to ensure consistency of reporting.

## Conclusions And Recommendations

The selection of indicators uses the core ESF indicators used in the UK Community Support Framework and the English Operational Programme. The output (activity) and results indicators are on the whole straightforward. Many project sponsors will be unfamiliar with the impact indicators.

It is recommended that:

1. Clear definitions of each indicator is produced to ensure consistency of interpretation by project sponsors.
2. Positive outcomes should be disaggregated by gender to ensure that equal opportunities and gender mainstreaming objectives can be closely monitored.
3. Aggregate positive outcomes indicators, such as people going onto further education or training should be explicitly built up from positive outcomes developed from the activity indicators e.g. people given training going onto further education and training and people given guidance going onto further education and training;
4. Guidance on how sales should be measured and monitored will be required to ensure that project sponsors produce reliable forecast and then reliable monitoring data;
5. the use of the terms companies, SMEs, enterprises and businesses should be rationalised and clarified to reduce confusion and improve consistency of reporting

## Quantification Of Indicators

The indicators have been quantified on an assumed unit costs basis, with results and impacts set using percentages of completed beneficiaries. This is an appropriate approach, although it is not clear to what depth sub-measure calculations have been developed to take account of the variety of client groups targeted within particular measures.

There are two factors that the PMC will have to take into account as the Programme proceeds. The first is that the cost base for the outputs has not taken into account the length of the Programme. This is not too problematic as long as inflation remains low, and figures can be adjusted at the interim evaluation stage. It should be noted however that even with low inflation, costs calculated in 2000 prices, could easily be 15% higher by 2003.

The second and related factor is the positive outcomes figures are based on an economy where unemployment is low and employment is increasing. In the event of a recession, and depending on its severity and duration, the positive outcomes targets could easily become unrealistic. At the same time, in a low unemployment situation, those who remain on the register for some time are likely to face most difficulty securing employment. Put simply,

those who are able to secure work, with some training will secure work, are more likely to have already been absorbed back into the labour market. This may mean that the average costs in terms of beneficiary support for those who remain are likely to be high, especially if the positive outcome targets are to be achieved.

The Scottish Objective 3 Programme has expressed the results with regards to positive outcomes in terms of absolute numbers. It would be appropriate and helpful to also express these figures as percentages. This would allow for more transparency in the monitoring of progress.

Although there are targets set for the number of women receiving support, no targets have been set for the numbers securing positive outcomes. Although the proportions securing positive outcomes may be the same for both genders, the setting of targets will make ensure that the results in relation to women will be monitored, and any discrepancies, such as women more or less likely to secure employment, will be identified and acted upon at an early stage.

Annex 1 presents a measure by measure review of the quantification.

### **Priority 1 Adaptability**

The output targets appear to be based on assumed averages of circa £250 for guidance, and £1,600 per beneficiary provided with training. Both measures allow for both guidance and training to be provided, in contrast with the English Operational Programme, where guidance and training are provided in separate measures. It is worth noting, that the need for integrated projects was one of the main recommendations arising from the evaluation of previous ESF interventions, suggesting that the Scottish approach better reflects the needs of beneficiaries

The implied average costs for substantive training in the Programme Complement is £1,600 per beneficiary. This is significantly lower than the equivalent English figure of £2,455. This is a considerable difference, and consideration should be given to increasing the average costs per beneficiary, and thus reducing the overall targets, unless there is compelling evidence that the £1,600 can deliver the forecast results in terms of percentages gaining employment and positive outcomes. The targets imply that in both measures two thirds of beneficiaries will be long term unemployed. Again, this might suggest that a higher unit cost per beneficiary is required.

The results targets assume that 33% of people given guidance will go on to training, and that 40% of those provided with training will go on to employment. These are realistic targets, given current economic conditions. This figure should be kept under review, as a much lower proportion will be able to secure employment should the economy enter a recession. The conversion of training to employment appears similar for both measures. Given the acknowledged difficulties facing older workers, consideration should be given to a slight reduction in the target of the numbers securing employment for the second measure.

The number of people going on to further education or training at 45,258 can only be achieved if all of those receiving training and not securing employment went on to other training. This is unrealistic. It takes no account of people leaving early (some 30%) with no positive outcome at all, and those completing training who then who return to the register or who drop out of the system. It would appear that the target is an over-estimate.

The positive outcome figure is also unreliable with the 85,823 figure an apparent aggregation of the other results indicator. This gives a misleading impression, as many of those gaining employment are also those gaining a (part) qualification. This information will not help to

identify the number of beneficiaries who do not secure a positive outcome, a key piece of management information data.

There appears to be difficulties where results indicators are aggregated up. As noted earlier it would be more straightforward to present clearly separate positive outcome indicators for each of the activity groups – those given training support, those given guidance support, and those given wage subsidy support.

## **Priority 2 Equal Opportunities and Addressing Social Exclusion**

The output targets appear to be based on assumed averages of circa £400 for guidance, and £2,900 per beneficiary provided with training. This is higher than the equivalent English figure of £2,357. This is a significant difference, and evaluation evidence suggests that high levels of support are required to assist those suffering from social and economic exclusion. The Scottish assumptions are reasonable, although it could be argued that even higher levels of support will be required for particular groups, notably those in the most deprived communities. It is not apparent that the costs per beneficiary between the thematic and urban measures, and the rural measures should be identical. It is likely that the costs in the urban areas will be higher than in the rural areas, given the scale and severity of the difficulties in Scotland's inner city neighbourhoods and peripheral housing estates.

The key results target of one quarter of people given guidance going on to training, and one third of people given training securing employment appears realistic. Again, this target might be lower if the Scottish economy were to go in to recession. There appears to be an error with the people going into employment target, which is lower than those trained going into employment. This figure presumably should be the aggregate of those given guidance who secure employment and those securing employment after training.

As with Priority 1 the number of people going onto further education or training appears to have been over-estimated. The figure implies that of those receiving training, 32% go on to employment and 56% on to other training or education. This is unlikely given the client group, and the target should be re-considered. This target has also been over-estimated in Priority 1 and there may be a flaw in the method used. As already noted there appears to be difficulties where results indicators are aggregated up.

## **Priority 3 Lifelong Learning**

A significant proportion of resources have been dedicated to learning systems, procedures and processes. This includes networking as well as the development of new materials. There is very little previous evaluation data available to help gauge the costs and effects of such activities. The rationale behind the quantification is that eventually many people will benefit from these new developments, although it is difficult to quantify how substantial these benefits will be. In some cases, for example a distance-learning package that is developed and then taken up by a number of providers, it is possible that many thousands of people could benefit over a number of years. In other circumstances, such as networking, the benefits may be much more indirect and long term.

The assumption suggests that 1,000 people will benefit from each new system (each costing £150,000) and 500 from each network/partnership (each provided with £200,000 of support). These assumptions are not unreasonable given the scale of resources available. Close monitoring of the early projects will be required to monitor the validity of the targets. In addition, clear guidance on how the results should be monitored will be required.

It will also be helpful to set some kind of time frame for the monitoring of results. New products, for example, may be tested or piloted before being made available to a wider

audience. It may be that the full results are not apparent for some years after the ESF “project” has been completed. Ideally, the product development itself should include a component for the commercialisation or the marketing of new products.

#### **Priority 4 Adaptability And Entrepreneurship**

The quantification of Priority 4A is reasonable, although there are some inconsistencies. It is not clear why in measure 1, only 56% of 6,000 companies helped then go on to take up training.

In Measure 2, the target of companies helped is 4,230 while the target for SMEs assisted is 5,000. The former should obviously exceed the latter, unless there is some unusual interpretation of the terms company and SME. In Measure 3, the number of companies helped is 2,970 while the number of SMEs assisted is 5,000. This suggests that over 2,000 companies assisted are non-SMEs. It is not clear if this is an error in the targets.

A conversion rate of £1 in training support generating sales of between £4 and £4.50 has been used. This is below the £8- £10 used for other business development schemes. This is likely to be realistic, as other business development schemes, such as marketing and exporting schemes often have a more immediate effect on company sales. The “training” effect is often more influential with regard to productivity improvements.

With regard to Priority 4b, there are considerable difficulties with regard to the forecasts activities. It is not clear how 8,000 people can be given substantive support, 2,525 people can receive wage subsidy support, 21,000 employees can be helped, and 34,000 people given guidance for total costs of £26m. There is a need to re-consider these forecast and define what is meant by each of the indicators. These targets can only be achieved through very low unit costs, and this would undermine any move towards encouraging the development of quality business improving the survival rate of new enterprises. The unit costs are more geared to self-employment as a means of creating a job for the individual (as an alternative to unemployment), as distinct from developing a business that will employ a number of people.

The uncertainty over the activity indicators has an effect on the results indicator. Put simply, if the unit costs of support are very low, it is likely that there will be a high drop out and failure rate. The results targets need to be re-considered after the activity indicators have been reviewed.

**Priority 5** The targets in measure 5.1 assume an average of £60,000 per study and £8,000 per company advised. This latter target assumes a significant piece of work per company and it is not clear how many companies would be willing to take up and contribute towards such costs. The scale of support suggests that only those interested in introducing new practices would seek assistance, and it is surprising therefore that only 30% of companies introduce new active gender and family friendly policies. This target should be re-considered.

The targets for Measure 5.2 are surprising. Only 50% of the beneficiaries are expected to be female. Although both men and women are under-represented in certain occupations and sectors, on the whole women are more likely to be under-represented in higher paid and higher skilled jobs, while the opposite is true for men. Given that women earn significantly less than men, and full time employment continues to be dominated by men, it is not clear why a higher target was not set for the number of female beneficiaries. The Scottish interpretation of this Priority differs from the English Operational Programme, where 100% of beneficiaries are expected to be women.

The result targets are not transparent. It is not clear if some of the results relate to those given training or to those given training and guidance. The conversion rate of companies given assistance and then introducing family friendly policies is 55%, significantly higher than the 30% in the other measure in the Priority. It is not clear why there is such a difference. The positive outcomes for women is almost 90% of beneficiaries (8,223 out of 9,344) and it is not clear how this can be achieved, unless there is a non standard definition of positive outcome. There are a number of other inconsistencies with the results targets, and these could usefully be reviewed and amended.

## Conclusions and Recommendations

The quantification of the Programme Complement has been undertaken using a series of unit costs assumptions, and forecast positive outcome indicators based on previous experience and knowledge of the target groups. On the whole the quantification is sound, but there are a number of targets that could usefully be reviewed.

There is a need to examine the priority 4B targets and also the Priority 5.2 targets as there appears to be some inconsistencies. A clearer articulation of the assumptions may clarify the situation, although it is likely that some of the targets will have to be adjusted. Annex 1 highlights the key concerns by measure. The key recommendations with regard to the quantification are:

1. The unit costs should be re-considered to take account of the length of the Programme or targets should be re-considered at the mid term to re-calibrate the unit costs based on up to date prices;
2. All results should be expressed as percentages first, and numbers second, with monitoring focussed on ensuring that the percentages of those reporting are in line with expectations;
3. Positive outcome targets should explicitly relate to the activity (output) group – people trained, given guidance, or wage subsidy support, and greater clarity is required where positive outcome targets are aggregated up;
4. The results targets should be reviewed to include more targets with regard to women;
5. The unit costs of £1,600 for training under Active Labour market should be reconsidered, given the focus on older people and the long term unemployed;
6. The target of the number of people going onto further education and training appears high and should be re-considered in both Priorities 1 and 2;
7. Guidance is needed to assist project sponsors to monitor the results of Priority 3 activities, including a timeframe for the realisation of results;
8. In Priority 4A, there are inconsistencies in the targets for companies and SMEs assisted and the indicators needed to be clearly defined and targets re-considered;
9. The Priority 4B measure 2 targets are very high, and it is not clear how they can be achieved given the Measure budget, a review is required;
10. The Priority 5 measure 2 targets of 50% of beneficiaries to be female is low, given that women are excluded from higher paid and higher skilled jobs more

often than men, reconsideration of this target would be appropriate. The results targets for Priority 5 measure 2 are difficult to understand and should be re-considered and/or explained in more detail.

## The Degree Of Monitoring And Evaluation Coverage

Although monitoring and evaluation are linked, they should be regarded as separate activities, with different arrangements needed to take account of the differing nature of the two functions. In the past, ESF related Programmes have adequately monitored project outputs, but been much weaker at providing reliable monitoring data with regard to results and at evaluating the final effects.

### Monitoring

In the previous Objective 3 Programme, monitoring concerns primarily focussed on activities and results, and the reliability of the data. Financial monitoring was less important, as unspent monies were eventually re-cycled, although this was a problem at the end of projects when time was not available to re-allocate unspent monies.

The new Regulations place a premium on certified eligible expenditure as against financial commitments. There is a need (to avoid losing money under n+2) and an incentive (through the Performance Reserve) to ensure that monies are spent. This places a greater emphasis on the financial management system to identify underpend as early as possible.

For the majority of measures, the monitoring data relating to **outputs** simply requires an accurate count of beneficiaries, with information required on age, status and gender. This should not be a problem, and as a consequence the majority of Programme outputs by expenditure should be easily and accurately monitored. Clear guidance is, however, required to define each indicator and to ensure that project sponsors are aware of their responsibilities with regard to monitoring data.

While the disaggregation of output data by gender may be standard practise in some Priorities, this may not be the case with regard to some activities funded under Adaptability and Entrepreneurship. It is important to ensure that all project sponsors provide gender related beneficiary data where appropriate.

There is a possibility of mis-reporting on some of the measures under Lifelong Learning, Adaptability, and Increasing the Participation Of Women In The Labour Market. This could occur where there are different types of output beneficiaries being assisted within a project. For example, where projects are both helping companies and providing training for employees, some sponsors running similar projects may report only the number of companies assisted, while other may report both. There is a need to identify those areas where project sponsors could report inter-related outputs, and clarify under what circumstances this is appropriate. This is needed to remove any uncertainty and to ensure consistency of reporting. This will require clarification of the linkages between output targets to be assisted e.g. do all projects supporting SMEs have to report on the number of individual beneficiaries; what happens where the management of a company is being assisted, should the number of managers involved be reported as beneficiaries or all of the employees of the company.

There is also a danger of mis-reporting through the overlap with companies helped and SME assisted, and the use of the terms self employed, enterprise and company. Clear guidance on any differences, or a consistent use of terminology would help to avoid confusion.

There is also a need to ensure that a number of indicators that are new to project sponsors are properly defined. This includes new systems developed/implemented (is this one or two indicators), networks/partnerships supported, promotional activity (if a project sponsor organises five marketing events is this recorded as one promotional activity or five), and new training materials developed.

There is a gap in the monitoring data with regard to the type of beneficiaries being assisted under Priority 2. It would be useful for the Monitoring Committee to be able to review the extent to which particular groups are being assisted e.g. people with disabilities, lone parents, ex-offenders. This information is required to ensure that key target groups are being provided with assistance.

With regard to **results**, the majority of measures use the positive outcome indicators from the previous Objective 3 Programme. These assess the effect of support with regard to the beneficiary gaining a qualification, employment or self-employment or moving on to other training. The positive outcome indicators will allow the majority of Programme expenditure to be effectively monitored with regard to results, provided that project sponsors provide robust data based on follow up contact with beneficiaries. The use of sample data to gross up at the project level could lead to inaccurate information. Guidance is required to ensure that the data provided by project sponsors is reliable, and this should include advice on reliable methods for data collection. This should include a minimum "contact" rate for following up beneficiaries (although there is a danger that the minimum becomes the standard).

The provision of reliable monitoring data on positive outcomes is the key measurement of Programme success. It is important therefore that the PMC is confident that systems are in place to ensure that reliable, robust and timely data is provided to regularly review progress. As a minimum this will require an electronic database capable of assembling and interrogating in a number of ways, such as by gender, and a quality control system to ensure that the data is reliable.

In terms of reporting, the assessment of progress is more transparent if the positive outcomes are expressed as percentages of those reporting. This will allow key indicators such as those gaining employment or going on to further training to be assessed.

The positive outcome indicators are less effective at:

- assessing the results of guidance;
- measuring distance travelled; and
- placing a value on support to SMEs.

The assessment of guidance will be partly dealt with through the positive outcome indicators. Given the low proportion of expenditure being devoted to guidance, this does not represent a major gap in the monitoring of results. The use of positive outcomes in Priority 2 is more problematic. This is particularly the case where those furthest from the labour market are targeted for support. While the difficulties facing a target group can be factored in through a much lower positive outcome effect, this does not deal with those who benefit from the experience, but do not go on immediately to employment or another training course. This is likely to affect a small but significant number of beneficiaries under Priority 2.

With regard to placing a value of support provided to SMEs, new and safeguarded sales have been identified as an indicator. There is a need to explain what particular types of projects within a measure (which may be all projects) will contribute to this target, along with guidance on the key assumptions used, and methods for collecting robust monitoring data.

As noted earlier, there will be a need for project sponsors to contact individual companies, even where the relationship has been with individual employees, to help determine any effect on sales, and that this may best be carried out some time after training has been completed. Given the resource devoted to these activities, it is important that project sponsors are aware of their monitoring responsibilities, and have sufficient resources to complete them.

Effective monitoring requires not only the provision of information from project sponsors, but also a recording system that can collate and analyse the data in a timely manner. This includes being able to track types of beneficiaries or types of support through to the results stage. A robust data handling system is critical where an open competition system is used. It is likely that adjustments will have to be made after each bidding round to ensure that Performance Reserve targets are met. This will involve reviewing the forecasts average costs and positive outcomes with a view to providing new criteria/guidance for the next bidding round. Without an accurate database, progress towards the Performance Reserve targets will be difficult to gauge.

## Evaluation

The Operational Programme gives a clear commitment to evaluation. This has been one of the weakest areas with regard to ESF support in the past. This partly reflects the difficulties with regard to the selection of impact indicators, the quality of data available to evaluators, the scale of support and the costs involved in tracking down beneficiaries some years after support has ended.

The difficulties with regard to evaluation have been compounded by a focus on immediate positive outcomes as the key determinant of success, the lack of a project level evaluation culture, and a hostility to assessment based on quantified results and impacts.

Although not covered in the Programme Complement there is a need to put in place an evaluation strategy which takes account of:

- the time and costs of ESF related evaluation;
- the technical difficulties with regard to activities with an indirect effect;
- the problems of tracking beneficiaries over a long period of time; and
- the limited budgets of many intermediary organisations to undertake evaluation.

Previous Programmes have relied on ad-hoc evaluation work or Interim and Final Evaluations that have been adversely affected by the quality of monitoring data. In addition, evaluation work has been affected by the breadth of issues that require to be examined, and the lack of project and measure level evaluation studies available to act as comparators.

Given the inclusion of the completion of an Interim Evaluation as a Performance Reserve indicator, it is important to make sure that suitable arrangements are in place to allow a high quality evaluation study to be completed. Fundamental to this, is the need to anticipate the information requirements of the Interim Evaluation, as well as examining a number of technical issues that could impact of a successful evaluation. This will require both time and financial resources to be devoted to the evaluation function in advance of the formal Interim Evaluation. Some of this work will involve tackling some of the issues highlighted in this report, partially with regard to difficult to measure outputs and results.

A Programme level evaluation strategy should:

- scope out the coverage and baseline information required for the Interim and Final Evaluations;
- identify and explore solutions to problematic areas;
- identify thematic studies that may have to be taken on a rolling basis; and
- commission more detailed monitoring reports on an issue or thematic basis to prepare for interim and final evaluations.

This requires an on-going investment in evaluation work from the outset of the Programme, both in terms of staff time and resources to undertake particular items of research. This will be necessary to ensure that the Interim Evaluation can be completed to a high standard.

### **Conclusions And Recommendations**

The effective monitoring and evaluation of the programme is required to both assess efficiency and effectiveness, and to allow the PMC to direct and re-direct the Programme as progress reports on early activity are made available. It is recommended that:

1. Clear guidance is provided on the definitions of indicators and **how** monitoring data should be collected
2. A robust management information is established which allows for the electronic storage of data and the facility to track groups of beneficiaries at the sub measure level;
3. Application and monitoring data is entered into the electronic database in a timely manner;
4. The PMC is provided with management information with regard to financial commitment and spend, forecast and actual activity and results targets on a regular basis;
5. Particular attention is paid to identifying under-spend;
6. A costed evaluation strategy is developed at the earliest opportunity, with an emphasis in covering gaps in the monitoring data.

## 4 PERFORMANCE RESERVE

The Programme Complement outlines the targets by which the Performance Reserve will be judged. It covers criteria under three headings required by Article 44 of the new Regulations. These are:

- Effectiveness;
- Management;
- Financial Implementation

Working Paper 4 Implementation Of The Performance Reserve makes clear the link between the quantified targets and the assessment of performance:

*“Therefore the programme will be considered successful at the mid term if, for each of the three groups of criteria, the performance indicators attain an agreed value of around 75% or more of their corresponding standard”*

This appears to mean that a target is successfully met if it reaches three quarters of the proposed value e.g. 30% of beneficiaries receiving qualifications, against a target of 40%. This interpretation should be clarified with the Commission.

It is not clear if each and every target has to meet this standard e.g. if one of twenty targets fell below the 75%, would this mean the Programme was not successful. It is recommended that exactly how the Commission will view the basket of indicators should be clarified as soon as possible.

### Effectiveness Criteria

The Scottish Objective 3 Programme Complement has provided a total of 27 quantified output indicators and 21 results indicators. These are expressed as numbers, not percentages. The targets appear to have been calculated by taking the benefits that planned expenditure up until the end of the year 2003 *should* realise, and then applying a discount factor of about 15%.

There are a number of problems with this approach. The first is that Performance Reserve is likely to be assessed on *reported* outputs and results i.e. actually achieved, rather than forecast data from the applications submitted and approved. This means that the majority of projects and expenditure approved in 2003, and possibly some from 2002, will not be in a position to report against some or all of the indicators (particularly the results indicators). The second problem is that there are too many indicators. A more conservative approach would have selected a smaller number, and this would have still been in line with the Commission Guidance.

There is also an issue as regards to the appropriateness of using output indicators for the Performance Reserve when only the first two years expenditure are likely to be able to fully report final monitoring data. The realisation of the outputs requires a balance of activity within measures, this is most likely to be achieved over the medium to long term, as suitable adjustments are made in the light of early activity. It is noticeable that there are no output indicators in the English Performance Reserve targets.

A further issue is the use of numbers as against percentages for the results target. It is more straightforward to assess effectiveness on the basis of percentage figures, for example 40% of beneficiaries securing employment, as against a specific number. The actual number may be lower than expected due to a low level of financial commitment, but this will be picked up

by the financial indicators. In this example, although the volume of activity may be lower, the effectiveness of the actions may meet the 40% target. In another scenario, the results number may be lower due to the timing of particular projects and when they are in a position to survey beneficiaries as regards positive results.

With regard to the effectiveness criteria, the English Objective 3 Programme Complement (see Annex 3) provides six overall indicators, all of which are results indicators, expressed as percentages e.g. % gaining positive outcomes on leaving; and a gender related indicators under each of the Policy Fields, again expressed as a percentage.

## Management Criteria

The Programme Complement outlines four Management Criteria. These are similar to those presented in the English Programme Complement, although there are some important differences.

The management criterion 1 states that *“all approved projects will provide financial and monitoring data and this information will be detailed in the Annual Report(s) by December 31<sup>st</sup> 2003”*. This contrasts with the English criteria – *“100% of projects providing financial monitoring”*. The English version is more flexible. It is not clear how projects approved in late 2003 will be able to provide monitoring data by the end of the same year.

Management criterion 2 states *“ a minimum of 10% of the funding committed by the end of 2003 will have been the subject of an on-site monitoring visit”*. The English version is *“5% expenditure to be covered by annual financial and management audits.”* In the latter case, the emphasis is on expenditure, not commitment, and this is appropriate given that audit visits only take place after expenditure has been incurred. The lower figure of 5% also sets a target that is more straightforward to achieve.

## Financial criteria

The Scottish Programme Complement has put forward a target of 30% of the private sector financial contribution to be realised by 2004. There is no corresponding target in the English Programme Complement. The figure of 30% is relatively high, given past difficulties with private sector contributions. It is also not clear what this target adds to the overall programme assessment.

## Conclusions And Recommendations

The Performance Reserve targets were set out in a systematic fashion, but in retrospect a number lack clarity. Some of the targets set will be impossible to reach, and this is not a reflection of the success of the programme – it is a result of projects being unable to report the necessary outputs and results within the timeframe envisaged. There is a need therefore to re-visit the Performance Reserve targets.

It is recommended that as far as possible the Scottish Performance reserve targets follow the more limited English Performance Reserve targets. In particular is recommended that:

1. Outputs targets are removed from the Performance Reserve indicators, or if required a maximum of two per policy field are provided, and these should cover outputs expected from anticipated expenditure in years 2000-2002;
2. a more limited range of results indicators are agreed, and these are expressed as percentages;

3. The audit target is set at 5% of *expenditure*; and
4. The private sector financial target is deleted.

It is also recognised that early discussions are held with the Commission to identify exactly what period the Programme Reserve has to cover. It is likely that only those projects initiated in 2001 and 2002 will be able to fully report on outputs and results. In some cases, such as those projects with a three year lifespan, only partial results will be reported. It is important to discuss and agree with the Commission what can be realistically reported by the end of 2003. These discussions should precede any final decisions of the revised targets for the Programme Complement.

## 5 QUALITY OF THE IMPLEMENTATION AND MONITORING ARRANGEMENTS

Working Paper No2 *The Ex Ante Evaluation Of The Structural Fund Interventions*, produced by the European Commission indicates that with regard to the Programme Complement, under the assessment of the quality of the implementation and monitoring arrangements consideration should be given to:

- identification of necessary improvements;
- competitive procedures and selection criteria re-inforcing efficiency on project selection; and
- specific arrangements for innovative operations.

The checklist provided as part of the Commission guidance appears to have envisaged a Programme Complement providing much more detailed information across a wider range of subject areas than that required by the Regulations. In the case of the Scottish Operational Programme, the Complement conforms to the Programme Complement guidance, but does not cover all Ex Ante guidance checklist. Some of the items identified as Programme Complement text has in fact been dealt with through PMC papers.

### Identification Of Necessary Improvements - Management Arrangements

As noted above, although the Commission Guidance on the Ex Ante Evaluation indicates that the quality of implementation and management arrangements should be reviewed, there is no requirement to include additional details in the Programme Complement. The Scottish Operational Programme presented information on the role of the Monitoring Committee (standard text), and information on co-ordination across the Structural Fund Programmes in Scotland. This text helped set the scene for the new arrangements.

The detail provided on the co-ordination presents a marked increase in co-operation and collaboration between Programmes. This has been facilitated by the recognition of the inter-dependence of the Objective 2 and Objective 3 Programmes. The proposed new arrangements includes the development of procedures to ensure that Objective 3 Priority 2 activities addressing social and economic exclusion complement Community Economic Development type activities funded through Objective 2 support.

Chapter 14 of the Operational Programme also outlines a commitment to:

- a common project database;
- consistency between Objective 2 and 3 applications forms, guidance and selection criteria.

Although these arrangements are not expanded upon in any detail in the Programme Complement, the text in the Operational Programme demonstrates an awareness of the need to improve co-ordination, and provides a commitment to putting place improved systems at an early stage.

The commitment to a common project database is a welcome development. A project database, capable of producing timely and accurate management information, is essential to the effective monitoring of the Programme, and is crucial to identify potential problems with regard to the Performance Reserve indicators.

New arrangements are also expected in relation to application and appraisal and selection criteria, and new and improved guidance to assist applicants. No information has been presented in the Programme Complement as to how the experience of previous Programmes has been used to develop new arrangements, although this will presumably be outlined in any PMC papers. In England, the most significant changes has been a move away from decisions based on an overall score, and the introduction of co-financing.

It is a feature of ESF in Scotland that it remains committed to an open bid system with volume applications, while England is moving to a co-financing model, regarded as more strategic and less bureaucratic than the open bid system.

The DfEE view of the open competition system is that it places a premium on application writing skills, does not necessarily deliver the portfolio of activities needed to secure objectives, detaches ESF activity from other learning policy objectives, and encourages a large volume of applications, with a consequent time consuming administrative burden. This analysis could equally apply to Scotland and any new arrangements should seek to address these issues.

The co-financing model uses a limited number of organisations with both policy and financial responsibility to deliver measure level activity. Project sponsors from sectors such as FE and the community and voluntary sector are then engaged by the co-financing organisation to deliver the activity. This allows for fewer and larger applications, and reduces the need for the voluntary sector and other partners to approach funding agencies for support, and then apply to ESF for further support.

Although the co-financing model has yet to be fully tested, it does represent a response to the problems identified in previous Programmes, where:

- enormous amounts of time were wasted writing unsuccessful bids,
- the volume of bids made it difficult to assess progress toward strategic objectives, and
- it proved difficult to monitor the quality of the data provided by individual project sponsors.

The co-financing model passes this responsibility to a limited number of organisations, closer to the "coal face" but able to take a more strategic view of what was required at the sub-regional and local level. It will also allow the Monitoring Committee to oversee a much smaller number of projects, delivering significant parts of the Programme.

While the co-financing approach has been adopted in England, it is too early to say if it has been successful. It does, however, represent a significant change in how Objective 3 support in England will be delivered, and as such is a clear response to some of the problems identified with the previous Programme. In particular it moves significantly from the delivery of learning and training through a mass of micro projects, where what is being bought is aggregated up after decisions have been reached rather than planned in advance to deliver a portfolio of activity needed to address strategic objectives.

## **Appraisal System**

The Operational Programme contains a commitment to a competitive appraisal system. The selection and appraisal system has to be approved by the Monitoring Committee, with a

commitment in the Operational Programme that this will take place within six months of the Programme being approved.

Although the Commission Guidance on the Ex Ante Evaluation indicates that the quality of implementation and management arrangements should be reviewed, there is no requirement to include additional details in the Programme Complement. As with other UK Programmes, selection and appraisal procedures and other management arrangements are presented as separate PMC papers, and not as a formal part of the Programme Component. Nevertheless, the review of the Measures and the Performance Reserve targets indicates that the appraisal and selection system has a role to lay in ensuring that satisfactory progress is made towards the quantified targets.

It is noted that the measure text includes a section entitled "Delivery Arrangements". This text provides more details on the "emphasis" of each measure. This includes the experience required by applicant organisations and the types of activities that will be important. The text is oriented towards guidance, with no weight attached to issues/items identified. While useful for projects sponsors, the text is not prescriptive or assertive and may not influence the type of projects that come forward or are supported.

The introduction of the Performance Reserve based on an assessment of progress towards agreed targets has implications for the appraisal and selection system. In particular, there is a need to ensure that with regard to outputs, some recognition is given to the implied average unit costs used to determine targets and/or a system is in place to ensure that higher than average unit costs in some projects are counterbalanced by lower than average costs in others. Failure to put in place such a system would increase the risk of a number of the Performance Reserve targets not being achieved.

Appraising and selecting projects solely on the basis on average unit costs would be inappropriate. There are other factors that are important and a project with higher than average unit costs, might for example, deliver higher than average positive outcomes. Additionally, even within particular measures, some beneficiary groups may require more intensive and therefore more expensive support than others. The need for more expensive support for some groups within a measure will have to be consciously, rather than accidentally, counterbalanced to ensure the targets are met.

There are a number of options that can be used to ensure that targets are met. These include:

- guidance to applicants on the assumptions used to quantify each measure, to encourage applicants to come forward with projects in or around average unit costs, and to make applicants aware of the type of results expected in terms of positive outcomes;
- factoring in to the value for money criterion of any appraisal system the assumptions with regard to unit costs, with some allowance made for particular client groups where higher than average costs could be anticipated;
- deciding in advance of each round a portfolio of outputs to be "bought" for each measure, both to help meet the measure objectives and ensure that the Performance Reserve targets are achieved (this would balance policy and financial/output factors).

Irrespective of whatever option is considered most appropriate, a "do nothing" option is not tenable. The introduction of the Performance Reserve, where substantial additional funds are available, requires an appraisal and selection system that helps to ensure that targets

are met. This may mean reviewing progress after each bid round, and changing the emphasis in terms of prioritisation to ensure that targets are met. This implies an awareness at the application stage of what groups of projects will deliver at the measure level, relative to the finance requested; and the regular review of financial and other monitoring data to be certain that satisfactory progress is being made. Both of these requirements need a robust database, and sufficient resources to input and review data in a timely manner.

## **Conclusions And Recommendations**

It is not clear how the appraisal and selection system will help to ensure that the Programme targets are met. There are a number of mechanisms through which this could be achieved. This includes making the contribution to targets a key influence in either the scoring system, of the selection/decision making process, or regularly reviewing progress at the end of each bid round to make adjustments to future arrangements.

It is recommended that:

1. The appraisal, selection and decision making systems are reviewed to ensure that they contribute to ensuring the Priority and Measure level targets, and Performance Reserve targets are met.

**Annex 1**

<b>MEASURE 1.1: 6 – 24 MONTHS UNEMPLOYED</b>			
<b>Inputs</b>	<b>Value €</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€81.709m	£49m	
Total Project Costs (€m)	€181.576m	£109m	
<b>Activities</b>			
People given guidance	42,840	Assume £250 per beneficiary (£11m) and £1,600	English OP is guidance only and assumes £286 per beneficiary. No substantive training provided.
People trained	53,550	per person trained (£86m)	
Wage subsidy places	6,304	Assume £2,000 per beneficiary (£12.5m)	Unit cost may be low.
Total number of beneficiaries receiving support	102,782	Assume £1,060 per beneficiary	Appear to be arithmetic error
Women receiving support	43,168	42% of beneficiaries.	45% of old Objective 3 Programme were female
Beneficiaries completing their courses	72,976	70% of all beneficiaries	Early leavers accounted for 23% of previous Programme. English OP also assumes 42%.
Adults (aged 25 and over) receiving help before 12 months	33,920		This suggests that two third of beneficiaries will be long term unemployed.
<b>Result/Outcomes</b>			
Those receiving guidance going onto training	13,482	33% people receiving guidance go on to training	Reasonable, given that two thirds of beneficiaries will be long term unemployed.
People trained going into employment	21,420	40% of people trained	Reasonable, given that two thirds of beneficiaries will be long term unemployed.
People trained gaining a (part) qualification	21,420	40% of people trained	Reasonable, given that two thirds of beneficiaries will be long term unemployed.
Those on wage subsidy schemes securing permanent employment	4,794	75%	In line with evaluation data
People going into employment	26,261	26% Additional employment from wage subsidy, with nominal number from guidance.	Inconsistent with earlier figures, should be made up of 21,420 plus 4,794 plus a proportion of the 42,840 people given guidance securing employment.
People going into self-employment	429		
People going onto further education or training	45,258	44% of 102,782, or 60% of those not going on to employment (from training and wage subsidy)	Inconsistent. 45,258 minus 13,482 into training from guidance suggests that 31,776 other beneficiaries go onto further education or training. This is unlikely and implies that 40% of people trained secure jobs and 60% go onto other training education.
Positive outcomes on leaving (and at 6 months)	85,823 (68,658)	84%	Unrealistic. Appears to be aggregated from the results data above.
In work on leaving (and at 6 months)	26,690 (24,020)	Not clear what on leaving means of after follow on training	This figure is inconsistent with targets outlined above.
<b>Impact</b>			
In employment 2 years after securing employment	14,679	55% of people going into employment	
Unemployed in work after ESF support (net of deadweight)	4,003	15% net of deadweight	English OP assumes 15% net of deadweight of those trained only.

<b>MEASURE 1.2: RAISING EMPLOYABILITY – OLDER UNEMPLOYED</b>			
<b>Inputs</b>	<b>Value</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€35.018m	£21m	
Total Project Costs (€m)	€77.818m	£47m	
<b>Activities</b>			
People given guidance	18,360	Assume £250 per beneficiary (£4.6m) and £1,600 per person trained (£37m)	English OP is guidance only and assumes £2,455 per beneficiary. No support for guidance provided.
People trained	22,950		
Wage subsidy places	2,702	Assume £2,000 per beneficiary (£5.5m)	Unit cost may be low.
Total beneficiaries receiving support	44,050		Appear to be arithmetic error
Women receiving support	18,501	42% of beneficiaries	45% of previous Objective 3 Programme were female. English OP assumes 42%.
No. of beneficiaries completing their courses	31,275	70% of beneficiaries	Early leavers accounted for 23% of previous Programme.
Adults (aged 25 and over) receiving help before 12 months	14,537		Assumes two thirds of beneficiaries are long term unemployed.
<b>Result/Outcomes</b>			
Those receiving guidance going onto training	5,778	31% of relevant beneficiaries	Reasonable, given age profile and two thirds of beneficiaries will be long term unemployed.
People trained going into employment	9,180	40% of relevant beneficiaries	Reasonable, although identical to Measure 1 which has a younger age profile.
People trained gaining a (part) qualification	9,180	40% of relevant beneficiaries	Reasonable
Those on wage subsidy schemes securing permanent employment	2,055	76% of relevant beneficiaries	In line with evaluation data
People going into employment	11,255	25% of all beneficiaries. Additional employment from wage subsidy, with nominal number from guidance.	Inconsistent with earlier figures, should be made up of 9,180 plus 2,055 plus a proportion of the 18,360 people given guidance securing employment.
People going into self-employment	184		
People going onto further education or training	19,396	44% of 44,050 or 60% of those not going into employment from training or wage subsidy.	Inconsistent. 19,396 minus 5,778 into training from guidance suggests that 13,618 other beneficiaries go onto further education or training. This is unlikely and implies that 40% of people trained secure jobs and 60% go onto other training education.
Positive outcomes on leaving (and at 6 months)	36,782 (29,425)	84%	Unrealistic. Does not relate to the results data above.
In work on leaving (and at 6 months)	11,438 (10,295)		This figure is inconsistent with targets outlined above.
<b>Impact</b>			
In employment 2 years after securing employment	6,291		
Unemployed in work after ESF support (net of deadweight)	1,716	19% of those trained	Broadly in line with English OP

<b>MEASURE 2.1: ADDRESSING SOCIAL EXCLUSION OF THEMATIC GROUPS</b>			
<b>Inputs</b>	<b>Value</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€71.009m	£42m	
Total Project Costs (€m)	€157.798m	£95m	
<b>Activities</b>			
People given guidance	22,680	Assume £400 per beneficiary (£9m) and £2,900 per person trained (£77m)	English OP assumes guidance only, at £232 per beneficiary For intensive support, English OP assumes £2,357 per beneficiary.
People trained	26,710		
Wage subsidy places	4,680	Assume £2,000 per beneficiary (£9.3m)	Unit cost may be low.
Companies given guidance	3,780	Assume minimal costs	
Number of beneficiaries receiving support	49,516		For intensive support, English OP assumes £2,357 per beneficiary.
Young people receiving help before 6 months	3,150		Not an appropriate target group for social exclusion
Women receiving support	20,652	42%	45% of beneficiaries of the previous Objective 3 Programme were female. 42% similar to English OP target
Adults (aged 25 and over) receiving help before 12 months	10,055		Not a relevant target group
<b>Result/Outcomes</b>			
Those receiving guidance going onto training	5,400	24% of relevant beneficiaries	Realistic
People trained going into employment	8,554	32% of relevant beneficiaries	Realistic/optimistic. Similar to English OP figure for substantive training. Will vary with client group. Not significantly lower than Priority 1 target (40%)
People going into employment	8,383	17% of relevant beneficiaries	Inconsistent. Not clear why this is less than the 8,554 people trained going into employment.
People going into self-employment	171	0.4% of relevant beneficiaries	English OP assumes 3% (all have received substantive training)
People going onto further education or training	20,359	41% of relevant beneficiaries	Inconsistent. 20,359 minus 5,400 into training from guidance suggests that 14,959 other beneficiaries go onto further education or training. This is unlikely and implies that 32% of people trained secure jobs and 56% go on to other training/education. Unlikely, given the client group and drop out rate.
In work on leaving (and at 6 months)	7,846 (5,393)	16% of relevant (all) beneficiaries / 29% of those trained	English OP assumes 34%
Beneficiaries completing their courses	29,400	60%	May be high given the client groups.
Positive outcomes on leaving (and at 6 months)	31,084 (24,775)	63% of relevant beneficiaries	English OP assumes 63%
People trained gaining a (part) qualification	8,818	33% of 26,710	English OP assumes 60% <u>working towards</u> a qualification.
Those on wage subsidy schemes securing permanent employment	3,510	75%	Client group likely to reduce the "standard" 75% conversion ratio
<b>Impact</b>			
Number in employment 2 years after securing employment	2,460		
Number in work 6 months after ESF support (net of deadweight)	1,796	23% of those in work on leaving	English OP – 23% of those trained net of deadweight

<b>MEASURE 2.2: ADDRESSING URBAN EXCLUSION</b>			
<b>Inputs</b>	<b>Value (€m)</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€71.009m	£43m	
Total Project Costs (€m)	€157.798m	£95m	
<b>Activities</b>			
People given guidance	22,680	Assume £400 per beneficiary (£9m) and £2,900 per person trained (£77m)	English OP assumes an average beneficiary cost of £2,357, with no guidance provided.
People trained	26,710		
Wage subsidy places	4,680	Assume £2,000 per beneficiary (£9.3m)	Unit cost may be low.
Companies given guidance	3,780	Assume minimal cost	
Total number of beneficiaries receiving support	49,516		
Young people receiving help before 6 months	3,150		Not an appropriate target group for social exclusion
Women receiving support	20,652	42% of beneficiaries	45% of beneficiaries of the previous Objective 3 Programme were female. 42% similar to English OP target
Adults (aged 25 and over) receiving help before 12 months	10,055		Not a relevant target group
<b>Result/Outcomes</b>			
Those receiving guidance going onto training	5,400	24% of relevant beneficiaries	Realistic
People trained going into employment	8,554	33% of relevant beneficiaries	Realistic/optimistic. Similar to English OP figure for substantive training. Will vary with client group. Not significantly lower than Priority 1 target (40%)
People going into employment	8,383	32% of relevant beneficiaries	Inconsistent. Not clear why this is less than the 8,554 people trained going into employment.
People going into self-employment	171	0.4% of relevant beneficiaries	English OP assumes 3% (all have received substantive training)
People going onto further education or training	20,359		Inconsistent. 20,359 minus 5,400 into training from guidance suggests that 14,959 other beneficiaries go onto further education or training. This is unlikely and implies that 32% of people trained secure jobs and 56% go on to other training/education. Unlikely, given the client group and drop out rate.
In work on leaving (and at 6 months)	7,846 (5,393)	16% of all beneficiaries / 29% of those trained	English OP assumes 34%
Beneficiaries completing their courses	29,400	60%	May be high given the client groups.
Positive outcomes on leaving (and at 6 months)	31,084 (24,775)	63% of relevant beneficiaries	English OP assumes 63%
People trained gaining a (part) qualification	8,818	33% of 26,710	English OP assumes 60% <u>working towards</u> a qualification.
Those on wage subsidy schemes securing permanent employment	3,510	75% of those receiving wage subsidy support	Client group likely to reduce the "standard" 75% conversion ratio
<b>Impact</b>			
In employment 2 years after securing employment	2,460		
In work 6 months after ESF support (net of deadweight)	1,796	23% of those in work on leaving	English OP – 23% of those trained net of deadweight

<b>MEASURE 2.3: ADDRESSING RURAL EXCLUSION</b>			
<b>Inputs</b>	<b>Value (€m)</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€26.628m	£16m	
Total Project Costs (€m)	€59.174m	£36m	
<b>Activities</b>			
People given guidance	8,640	Assume £400 per beneficiary (£3.5m) and	English OP assumes guidance at only £232 per head and of
People trained	10,174	£2,900 per person trained (£30m)	£2,357 for substantive training.
Wage subsidy places	1,755	Assume £2,000 per beneficiary (£3.5m)	Unit cost may be too low.
Companies given guidance	1,440		
Total number of beneficiaries receiving support	18,862	Average cost per head of £1,908	
Young people receiving help before 6 months	1,200		
Women receiving support	7,867	42% of beneficiaries	English OP assumes 42%
Adults (aged 25 and over) receiving help before 12 months	3,830		
<b>Result/Outcomes</b>			
Those receiving guidance going onto training	2,025	23% of relevant beneficiaries	Realistic
People trained going into employment	3,259	32% of relevant beneficiaries	Realistic/optimistic. Similar to English OP figure for substantive training. Will vary with client group. Not significantly lower than Priority 1 target (40%)
People going into employment	3,194	17% of all beneficiaries / 31% of those trained	English OP assumes 34% so these may be about right
People going into self-employment	65	0.3% of all beneficiaries / 0.6% of those trained	English OP assumes 3%
People going onto further education or training	7,755	41% of all beneficiaries / 76% of those trained	Inconsistent. 7,755 minus 2,025 into training from guidance suggests that 5,730 other beneficiaries go onto further education or training. This is unlikely and implies that 32% of people trained secure jobs and 56% go on to other training/education. Unlikely, given the client group and drop out rate.
Work on leaving (and at 6 months)	2,990 (2,055)	29% of those trained	English OP assumes 40%
Beneficiaries completing their courses	11,199	60% of all beneficiaries (does guidance count as a course)	
Positive outcomes on leaving (and at 6 months)	11,841 (9,438)	63% of all beneficiaries	Same as English OP
People trained gaining a (part) qualification	3,358	33% of those trained	English OP assumes 60% 'working towards a qualification'
Those on wage subsidy schemes securing permanent employment	1,316	75% of those receiving wage subsidy assistance	Client group likely to reduce the "standard" 75% conversion ratio
<b>Impact</b>			
In employment 2 years after securing employment	938		
In work 6 months after ESF support (net of deadweight)	685	23% of those in work on leaving	23% of those in work on leaving

<b>MEASURE 2.4: CAPACITY BUILDING FOR ORGANISATIONS INVOLVED IN DELIVERING SUPPORT TO TARGET GROUPS</b>			
<b>Inputs</b>	<b>Value</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€8.876m	£5.3m	
Total Project Costs (€m)	€19.725m	£11.8m	
<b>Activities</b>			
Total number of beneficiaries receiving support	2,106	Assume £2,000 per beneficiary i.e. £4m	Limited evaluation evidence to base targets on. Targets can be "delivered" provided that unit costs are factored into the appraisal and selection process. Some costs could vary considerably depending on the duration of support e.g. one full time worker for a net work or partnership would cost upwards of £100,00 over a four year period. May have to revise targets in light of the duration of this type of support.
Women receiving support	1,103	As above	
Organisation and management audits	212	Assume unit costs of £8,000 i.e. £1.6m	
New systems developed/implemented	108	Assume unit costs of £20,000 i.e. £2m	
Networks/partnerships supported	50	Assume unit costs of £60,000 i.e. £3m	
Beneficiaries trained in technical and management skills	2,106	Accounted for above	
<b>Result/Outcomes</b>			
People going onto further education or training	1,801	Assumes 85% go on to training education.	Unrealistic
Work on leaving (and at 6 months)	1,685 (1,620)	80%	Unrealistic
Beneficiaries completing their courses	2,001	99% of beneficiaries	Unrealistic
Positive outcomes on leaving (and at 6 months)	2,001 (1,901)	99% of beneficiaries	Unrealistic
People trained gaining a (part) qualification	2,001	Assumes 99% receive a (part) qualification	Unrealistic
<b>Impact</b>			
In work 2 years after leaving ESF support	1,474		
More effective delivery of other Measures in this Priority	N/A		

<b>MEASURE 3.1: MODERNISING THE LEARNING INDUSTRY</b>			
<b>Inputs</b>	<b>Value (€m)</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€19.455m	£11.7m	
Total project costs (€m)	€43.232m	£26m	
<b>Activities</b>			
Women receiving support	1,015	See beneficiary costs below	Limited previous evaluation evidence available.
Beneficiaries completing their courses	1,726	85%	Realistic given the target group and support.
Organisation and management audits	110	@ £15,000 is £1.6m	
New systems developed/implemented	44	@ £150,000 is £6.6m	Set at a level where new systems should be significant
Networks/partnerships supported	75	@ £200,000 is £15m	Likely to cover support over a number of years
Total number trained in technical and management skills	2,030	@ £3,000 is £6m	Suggests higher level training.
<b>Result/Outcomes</b>			
In work or further study on leaving (and at 6 months)	1,708 (1,657)	85% of beneficiaries	92% in English OP. Not informative as majority of beneficiaries are in work at the start of training.
Beneficiaries gaining a (part) qualification	1,178	58%	Very low given the subject area.
People using learning materials / benefiting from initiatives	72,000	Implies 1,000 people benefiting from each new system implemented, and 500 form each partnership supported.	Not unrealistic but very little evidence to base targets on. Time frame needed to measure people benefiting from new systems.
Positive outcomes on leaving	1,928	95%	Very high, even allowing for the target group and type of support.
<b>Impact</b>			
Net increase in participation in lifelong learning from ESF support	36,000	50%	Suggests that 50% of results target is deadweight. Not unreasonable given the scale of expenditure, although 50% deadweight would be a good result.
Contribution of ESF support to national targets	41,760	Not clear how this has been arrived at.	Not unreasonable given the results targets

<b>MEASURE 3.2: NEW APPROACHES FOR LIFELONG LEARNING</b>			
<b>Inputs</b>	<b>Value</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€29.182m	£17m	
Total project costs (€m)	€64.848m	£39m	
<b>Activities</b>			
Women receiving support	1,523	50% of beneficiaries	Same as English OP
Beneficiaries completing their courses	2,588	85% of beneficiaries	
Studies/research projects/feasibility studies	122	@ £50,000 is £7.5m	Assumes major studies. 17 per annum for the life of the Programme
People trained in IT	3,046	@ £3,000 is £9m	
New materials developed	38	@£200,000 is £7.5m	Relatively large budget, but assumes likely to include interactive and other e-learning materials.
Resource centres supported	99	@£150,000 is £15m	Assumes support over several years in some cases.
<b>Results/Outcomes</b>			
In work or further study on leaving (and at 6 months)	2,832 (2,741)	93% of beneficiaries	Not informative. Majority of beneficiaries likely to be in employment at the beginning of their training.
Beneficiaries gaining a (part) qualification	1,766	58% of beneficiaries	Relatively low given the costs, target group and nature of the training.
People using learning materials / benefiting from initiatives	108,000	Assumes 1,000 per new material package and 700 per resource centre.	Very little previous evaluation to base targets on, but figures are not unreasonable.
Positive outcomes on leaving	2,894	95% of beneficiaries	
<b>Impact</b>			
Net increase in participation in lifelong learning from ESF support	54,000	50%	Suggests that 50% of results target is deadweight. Not unreasonable given the scale of expenditure, although 50% deadweight would be a good result.
Contribution of ESF to support national targets	62,640	Not clear how this has been arrived at.	Not unreasonable given the results targets

<b>MEASURE 4A.1: POSITIVE ACTIONS FOR WORKFORCE TRAINING AND LEARNING</b>			
<b>Inputs</b>	<b>Value</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€16.415m	£10m	
Total Project Costs (€m)	€36.477m	£22m	
<b>Activities</b>			
Companies helped	6,000	Assumes costs are detailed below	Not clear if this target is in addition to companies provided with TNA, and the companies of individuals provided with TNA support.
TNAs undertaken for companies	2,631	@ £4,000 is £12m	Suggests less than 400 companies per annum, although the programme Area has circa 100,000 VAT register businesses. Even allowing for non-eligible companies the target is low
TNAs undertaken for individuals	7,020	@ £300 is £2.1m	Not clear is the individuals are in addition to the company. If in addition, not clear why the emphasis is on the individual and not the company.
Research projects supported	36	@£10,000 is £3.6m	
New training materials developed	30	@ £50,000 is £1.5m	
Promotional activities undertaken	211	@ £10,000 is £2m	Suggests a high number of area/sectoral/occupation specific initiatives
APL undertaken	121	@ £10,000 is £1.2m	
<b>Result/Outcomes</b>			
Companies undertaking training	3,368	56% of companies "helped"	Reasonable, although a higher figure might have been expected given that companies
Individuals undertaking training	6,318	90% of individuals provided with a TNA.	Very high, suggests a high conversion rate and it is not clear why the individual take up is so much higher than the company take up.
Companies benefiting from new materials	2,500	Suggests 80 companies benefiting from each new training material developed	
Beneficiaries gaining a (part) qualification	0		
Gross increase / safeguarded company turnover	£0m		
<b>Impact</b>			

<b>MEASURE 4A.2: RAISING SKILL LEVELS ACROSS THE WORKFORCE</b>			
<b>Inputs</b>	<b>Value</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€38.301m	£23m	
Total Project Costs (€m)	€85.114m	£51m	
<b>Activities</b>			
Companies helped	4,230	Should include SMES and large companies if different from SMEs assisted.	Inconsistent. Figure should be greater or at least equivalent to the number of SMEs assisted.
People given guidance	32,089	@ £200 is £6m	Reasonbale
People trained	26,301	@ £1,200 is £31m	Reasonbale
SMEs assisted	5,000	If all beneficiaries, then 6,000 SMEs helped of which 1,000 are liP related (see below. This implies costs per SME of £9,000	An average cost of £9,000 per SME would be high given that 90% of SME employ less than 10 people. Implies 700 companies helped per annum, which is low given the number of companies in the Programme Area
Companies committing to liP	1,000	@ £4,000 is £4m	
Employees helped	57,222	£890 per beneficiary	
Women receiving support	22,852	40% of beneficiaries	33% in English OP, but women make up half the workforce, although many work part-time.
<b>Result/Outcomes</b>			
Companies securing liP	500		
Increase/safeguarded company turnover	£221.4m	Each £ of training support leads to increased of ales of £4.50	Lower than the 1:8 to 1:12 ratio used for other types of business support, but likely to be realistic.
Beneficiaries gaining a (part) qualification	11,358	43% of those trained	English OP has 60% of those working towards a qualification
In work on leaving	51,500	90% of individual assisted	Provides little information given that beneficiaries are in employment at outset of training.
Positive outcomes on leaving	54,361	95% of individuals assisted	Meaningless, given that all beneficiaries are in employment at the outset of training.
No. of beneficiaries completing their courses	23,671	90% of those trained.	High, but more likely to be met as employers may insist employees complete training.
<b>Impact</b>			
Net number of jobs safeguarded by ESF support	3,384	12% of people trained	Not clear how this target has been arrived at.
No. in work after 6 months	48,925	85% of individuals assisted	
No. in work after 2 years	41,200	72% of individuals assisted	
People trained still in employment two years after training has ended	23,671	90% of those provided with training	

<b>MEASURE 4A.3: TRAINING FOR HIGHER LEVEL SKILLS AND IMPROVED MANAGEMENT</b>			
<b>Inputs</b>	<b>Value</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€27.358m	£16m	
Total Project Costs (€m)	€60.795m	£36m	
<b>Activities</b>			
No. of companies helped	2,970		Not clear how this differs from SMEs assisted
No. of people given guidance	7,373	@ £500 is £4m	Reasonable
No. of people trained	8,093	@ £3,000 is £24m	Reasonable, and assumes higher level but shorter interventions.
No. of SMEs assisted	5,000	@ £6,000 per SME	Reasonable
No. of companies committing to liP	1,000	@ £4,000 is £4m	May need higher average costs, which would includes other unit costs are lower than assumed.
No of employees helped	15,157	Assumed to be the aggregate of people trained and given guidance	
No of women receiving support	7,031	46% of employees assisted	33% in English OP. Not clear why this target is higher than in previous measure
<b>Result/Outcomes</b>			
No. of companies securing liP	750		
Increase/safeguarded company turnover	£147.6m	£1 support = £4 in increased / safeguarded company turnover	Reasonable
No. of beneficiaries gaining a (part) qualification	3,500	43% of people provided with training	English OP – 64% working towards a qualification
No. in work on leaving	13,641	90% of employees helped	Not informative, people will be in employment at the outset of training.
No. of positive outcomes on leaving	14,399	95% of employees helped	Not informative, people will be in employment at the outset of training.
No. of beneficiaries completing their courses	7,284	90% of those trained	
<b>Impact</b>			
Net number of jobs safeguarded by ESF support	1,011	£36K per job safeguarded	
No in work after 6 months	12,959		
No in work after 2 years	10,913		
People trained still in employment two years after training has ended	9,486		

<b>MEASURE 4B.1: PROMOTING AND DEVELOPING AN ENTERPRISE CULTURE</b>			
<b>Inputs</b>	<b>Value</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€7.660m	£4.5m	
Total Project Costs (€m)	€17.023m	£10m	
<b>Activities</b>			
No. of events held	675	@ £8,000 is £5.5m	Relatively high cost per event
No. of new materials developed	59	@ £70,000 is £4.5m	Relatively high cost per action, but limited evaluation evidence to base costs on. Not clear if this level of demand exists for this type of support.
<b>Result/Outcomes</b>			
Survival rate of self-employment 18 months after ESF support	0		
No. of beneficiaries gaining a (part) qualification	0		
No. of beneficiaries completing their courses	0		
No. of people attending events	0		
No. of people using new materials	20,000	Assumes 300 using each new material	A modest usage rate
<b>Impact</b>			
No. of people who go on to start a business	1,500		

<b>MEASURE 4B.2: NEW FIRM FORMATION</b>			
<b>Inputs</b>	<b>Value</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€19.698m	£12m	
Total Project Costs (€m)	€43.773m	£26m	
<b>Activities</b>			
No. of wage subsidy places	2,525	@ £2,000 would be £5m	
No. of employees helped	21,000		Resources can only be made available if other unit costs, which are already conservative, are reduced even more.
No. of beneficiaries receiving self-employment help	42,000	The sum of people given self employment guidance and support	Can only be achieved with low or conservative unit costs.
No. of young people receiving help before 6 months	5,250		Not relevant to the Policy Field
No. of people given guidance	34,000	@ £100 is £3.4m	Very low unit costs
No. of people given substantive support	8,000	@ £2,000 is £16m	Very low. Only £40 per week for a year, a level of support that was being offered 10 years ago. Makes no allowance for costs of mentoring and other support, including training.
No. of women receiving support	14,280	34% of all beneficiaries	English OP – 33%. This would not secure an increase in the number of women running a business.
No. of adults (aged 25 and over) receiving help before 12 months	5,250		Not relevant to the Policy Field
<b>Result/Outcomes</b>			
Survival rate of self-employment 18 months after ESF support	3,000	50% of enterprises established?	High attrition rate, although may reflect the client groups involved. Conventional new starts likely t have a survival rate of over 75% after 18 months, but this falls if the target groups are geared at self employment. Not clear if this relates to enterprises, or if there are two categories of results, those going into self employment and those establishing enterprises. Not clear how this figure relates to 1,500 enterprises surviving after 18 months presented as an impact indicator.
No. of beneficiaries gaining a (part) qualification	3,200	Appears to be 40% of those given substantive support.	Reasonable.
No. of beneficiaries completing their courses	6,400	Appears to be 80% of those given substantive support.	Could be higher as people realise starting a business does not suit them.
No. of people attending events	13,500	Not clear how this relates to the 34,000 people given guidance	
No. in work on leaving	6,000	Appears to be 75% of those given substantive support.	Optimistic.
No. of positive outcomes on leaving	7,000	Appears to be 87.5% of those given substantive support.	Very high
No. of enterprises established	6,000	Appears to be 80% of those given substantive support.	A very high conversion rate to new start ups. Evaluation evidence may confirm that the target is valid, but is appears high.
<b>Impact</b>			
Net number of new businesses running after 18 months	1,500		Not clear how these targets have been arrived at. Unhelpful to use two time periods – 18 months and 2 years, and to use net for one indicator, but not for another.
Net number of jobs created through support for self-employment	2,250		
No of firms established still trading after two years	1,519		

<b>MEASURE 5.1: PROMOTING POSITIVE ACTIONS</b>			
<b>Inputs</b>	<b>Value</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€10.214m	£6m	
Total Project Costs (€m)	€22.697m	£14m	
<b>Activities</b>			
No. of studies/research projects/feasibility studies	59	@ £60,000 is £3m	Assumes 8-10x substantial studies per annum for the duration of the programme.
No. of companies advised	1,409	@ £8,000 is £11m	Quite a high average costs per company. Only a limited number of "large" SMEs likely to undertake such work.
<b>Result/Outcomes</b>			
No. of companies introducing active gender / family friendly policies	305	One in five of companies advised	A poor conversion rate given the number of companies support and the flexibility of the indicator i.e. family friendly policies could be deemed to be a range of relatively inexpensive exchanges to working practices.

<b>MEASURE 5.2: POSITIVE ACTIONS FOR INDIVIDUALS AND COMPANIES</b>			
<b>Inputs</b>	<b>Value</b>	<b>Implied Assumptions</b>	<b>Comment</b>
ESF budget (€m)	€23.832m	£14m	
Total Project Costs (€m)	€52.960m	£32m	
<b>Activities</b>			
Total number of beneficiaries	18,688	See costs below	
No. of women beneficiaries	9,344	50% of all beneficiaries	Very low. Although both genders are affected by under-representation in different sectors, women tend to be under-represented in higher paid and higher skilled jobs, with the opportunities the case for men. This suggests that support should be targeted at women. Average female earnings are circa 25%-35% lower than for men
No. of young people receiving help before 6 months unemployed	1,869		
No. of adults (aged 25 and over) receiving help before 12 months	1,869		
No. of women going into employment	2,897	This is a result indicator	If half of those given substantive training are women, and this figure relates to this group only, it would suggest that over 90% of women trained go into employment. If figure relates to training and guidance then the figure is 30% which is very low
No. of women going into self-employment	47	This is a result indicator	
No. of women going onto further education or training	3,924	This is a result indicator	42% of women given training and guidance. Likely to be high, given that a further 2,943 take up some form of employment (31%)
No. of people given guidance	12,459	@ £400 is £5m	
No. of people trained	6,229	@ £2,000 is £12.5m	
No. of studies / research projects / feasibility studies	54	@ £20,000 is £1m	
No. of companies advised	1,269	@ £4,000 is £5m	
<b>Result/Outcomes</b>			
No. of people going on to other training	6,922	54% of those provided with guidance.	Optimistic, but may reflect determination/ willingness to take up training.
No. of those receiving training, securing employment in sectors or occupations where gender is under-represented	4,671	75% of those provided with substantive training. Less than the other target of 2,944 in work on leaving.	
No. of companies introducing active gender / family friendly policies	710	55% of those advised.	Poor conversion rate if companies are interested enough to review policy.
No. gaining a qualification in sectors where gender is under-represented	5,190	83% of those provided with substantive training.	Very high, only likely to be achieved if some of those provided with guidance ultimately go on to training. May be difficult to monitor beneficiaries over such a long timeframe.
No. of positive outcomes for women	8,223	88%	Very high

No. of parents with children under 5 in work 6 months after ESF	5,233	56% of all female beneficiaries, including those given guidance. Or 23% of all beneficiaries	Unrealistic. Assumes that a high proportion of beneficiaries, including those given guidance will both secure work and have children under the age of 5. Should be expressed as a percentage of the beneficiaries with children aged under five, not an absolute number. Very difficult to forecast the number of people with young children under 5 who will be supported under this measure, particularly as it is targeted at under-representation for males and females.
No. of beneficiaries completing their courses	5,450	87% of those provided with substantive training	High if only counting those provided with substantive training, and low if including those provided with guidance.
No. in work on leaving	2,944	47% of those provided with substantive training	Realistic given the difficulties of genders securing employment in particular sectors.
No. of positive outcomes on leaving	5,232	84%	High given a potentially significant drop-out rate.
No. of those gaining a (part) qualification	4,671	75% of those provided with substantive training	
Impact			
No gaining employment where gender is under-represented, still in employment after two years	2,944		
No. in work 6 months after ESF support	2,679		
No. in work 2 years after ESF support	1,943		
Net increase in female labour market participation after ESF support	<b>736</b>		

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## ANNEX 3 ENGLISH OBJECTIVE 3 PROGRAMME COMPLEMENT

### 5. The indicators on the performance reserve

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The Commission in agreement with Member States has established a performance reserve in relation to objective 3. The reserve is set at 4% of commitment appropriations. Objective 3 performance will be reviewed after the mid-term evaluation of the programme, which is to take place in 2003. Subject to satisfactory assessment of performance as measured against a number of performance indicators (set out below) the reserve can be released for use in Objective 3.

These indicators are designed to reflect programme effectiveness, programme management and financial implementation. Objective 3 performance will as a result be measured against indicators, which relate to that programme rather than as a comparison with other programmes. Indicators to be used have been chosen by the UK in consultation with the European Commission. For programme effectiveness the emphasis is on quantifiable indicators to enable objective judgements to be made on performance. On programme management the emphasis is on quality criteria reflecting the way in which project monitoring, control and selection procedures are organised. The third category, financial implementation, measures the take-up of programme funds.

The indicators will be monitored annually to check that the commitments made are being fulfilled. If they are falling short of their targets it will be possible to take corrective action, prior to the mid-term evaluation, to ensure take-up is brought into line with expected achievement.

For the quantified indicators it will be possible to measure in 2003 actual performance against them. The determinant of success will be if the objective 3 programme has performed at 80% or above of the levels shown in the indicators. Meeting these criteria will trigger the release of the performance reserve. The Commission and the UK will decide on the precise allocation of the reserve.

The performance indicators are:

#### Effectiveness criteria

##### Overall indicators

% in work on leaving	41%
% gaining positive outcomes on leaving	80%
% young people unemployed less than 6 months	87%
% adults unemployed less than 12 months	56%
% beneficiaries completing their courses	75%
% gaining a qualification	50%

##### Active labour market policies

% women receiving support	42%
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##### Social inclusion

% women receiving support	42%
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**Lifelong Learning**

% women receiving support	50%
% working towards a qualification	100%

**Adaptability and entrepreneurship**

% women receiving support	33%
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**Gender equality**

% women beneficiaries	100%
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**Management criteria**
**Quality of monitoring systems**

% projects providing financial and monitoring data.	100%
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**Quality of financial control**

% expenditure to be covered by annual financial and management audits	5%
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**Quality of project selection systems**

% expenditure committed to projects selected competitively using identified selection criteria	100%
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**Quality of evaluation system**

Mid-term evaluation of the programme is independent and acceptable to the ESF Evaluation Steering Group.

**Financial Criteria**
**Absorption of funds**

% funds taken up in programming year, measured 2 years afterwards	100%
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