



RCS



Two Way Street

European Structural & Investment Fund Support for the Voluntary Sector in Wales

Final Report

-

February 2023

Foreword

The Voluntary Sector in Wales has a long and strong tradition of both innovation and service to the community. The advent of the European Structural and Investment Funds (ESIFs) created potentially substantial opportunities for the Wales Voluntary Sector to do more, and in different ways. It embraced those opportunities enthusiastically.

But how did the Voluntary Sector fare in the competition for funds, and in the process of helping to shape how programmes were designed and monitored? What was the extent and effect of ESIF funding on the Voluntary Sector, and what effect did the Voluntary Sector have on the ESIFs in Wales?

This report presents findings and conclusions from a review of that relationship, and particularly in relation to the European Social Fund (ESF) and the European Regional Development Fund (ERDF). The report records that active relationship as it developed over the course of 3 funding periods since 2000.

Our brief was to identify how the voluntary sector interacted with the ESIFs in policy, planning and delivery terms, to record the impacts, and to suggest lessons for the future as post Brexit arrangements are put in place.

We are very grateful to colleagues at WCVA, the Welsh European Funding Office, and the Project Steering Group for their valuable help and insight, and to the many stakeholders we engaged with. They were consistently thoughtful, constructive, and gave generously of their time in interviews, discussions, and workshops to inform this work.

Tim Allen & Clive Grace
Directors UKRCS
February 2023

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Executive Summary

Overall

1. The relationship between the European Structural and Investment Funds (ESIFs) and the Voluntary Sector in Wales was active and developed over the course of the 3 funding periods since 2000 (respectively 2000 – 2006, 2007 – 2013 and 2014 – 2020).

2. The relationship was embedded in the wider context of the Welsh Government's supportive approach to the voluntary sector and was reflected in the creation of the Third Sector Partnership Council and the 'three thirds' approach giving equal recognition to the Voluntary Sector alongside the Public and Private Sectors.

3. Both the qualitative and quantitative contribution of the Voluntary Sector has been significant, in three broad ways which collectively indicate a greater impact than might have been expected given the European Union framework and the focus for European Structural and Investment Funds. The three key areas of impact involved:

- a. The successful delivery of programmes and projects to create tangible benefits for citizens and communities, and in doing so, extending the reach of European Structural and Investment Funds.
- b. Constructively influencing relevant policies and approaches in relation to design and deployment.
- c. Giving positive and beneficial effect to delivery methodologies that included enabling smaller voluntary sector organisations and projects to contribute, for example, through the Wales Council for Voluntary Action (WCVA) acting as an 'Intermediary Body' for the 2014 – 2020 funding period, as a reflection of confidence in key actors to enable a voluntary sector role and to exploit that capability.

4. Examples gleaned from this work, that of WCVA, and evaluations of individual projects, all provide evidence of a rich and diverse contribution by the Voluntary Sector across all three dimensions, and the way in which this approach evolved and matured over successive funding periods.

Influence and Voluntary Sector Focus

5. The voluntary sector played a significant role across all three funding periods both by influencing planning, design, and delivery and by enabling the sector to contribute through programmes and projects.

Influencing Planning, Design and Delivery

6. The voluntary sector was influential through:

- a. Energetic WCVA national leadership role which recognized the potential of ESIFs from when they became a devolved function from 2000 on. Working with others in the voluntary sector, WCVA acted as an influential voice and presence across all three funding periods.
- b. WCVA action and the inclusive approach adopted by the Welsh European Funding Office (WEFO), which created influence through sector representation on some key administrative functions.
- c. A measure of policy influence, for example in embedding equalities policy and practice in developing the Cross Cutting Themes that underpinned Welsh Government aspirations for the ESIFs. For example, voluntary sector organisations such as Chwarae Teg were able to advise and input as well as benefit from funding to further the role of women in the workplace.
- d. The creation of the Third Sector European Forum in 2011 to bring together voluntary sector lead and joint sponsors of ESF and ERDF projects to share information and good practice.
- e. WCVA being a provider of voluntary sector technical support funded and enabled by the Technical Assistance function provided for by the ESIFs. WCVA was a key source of relevant specialist expertise
- f. WCVA activity in helping to lever relevant inter-organisational co-operation.

Contributing to Programmes and Projects

7. Although a modest element in wider funding and activity in the Welsh voluntary sector (estimated to be between 1 and 2% of all Welsh voluntary sector funding) ESIFs extended the reach of the voluntary sector in some keyways, and in doing so equally extended the reach of the Funds, for example in:

- a. Initially funding some community-based activity in the 2000 – 2006 programme, although subsequent shifts in emphasis and the adoption of a more strategic approach to Fund deployment reduced some of this activity.
- b. Broadening the scope of employability support to help groups and individuals who were less likely to be reached through more mainstream employability support routes.
- c. Support and funding for social enterprises, community enterprises and co-operatives
- d. Support for community and small-scale energy projects, albeit that these face wider challenges such as planning consent and connection to the grid which proved a limitation to what the projects could achieve at the time.
- e. Although outside the scope of this work, the Rural Development Programme Wales 2014 – 2020 (and predecessors) and other Funds such as INTERREG also

provided support for the voluntary sector, for example, through LEADER and agri-environment programmes where voluntary sector organisations own or manage land.

8. There were some specific characteristics of voluntary sector engagement with the Funds:

- a. The overall approach to Fund deployment became more strategic from 2007 – 2013 on and it was typically larger voluntary organisations with strong alignment to broad Fund objectives that directly engaged. These organisations typically developed capacity and extended their ability to deliver as a result.
- b. Smaller organisations potentially able to deliver elements of Fund objectives but typically lacking capacity to handle the administrative requirements directly were able to participate through umbrella projects such as the WCVA Engagement Gateway and latterly through the WCVA run Active Inclusion Fund which was operated through WCVA as a formally constituted Intermediary Body. In both cases, WCVA took on an administrative function in managing at least some of the requirements in delivering funded projects.

9. In summary, key lessons include the ESIFs demonstrating:

- a. How – if effectively mobilised - the voluntary sector can contribute to broader policy objectives. In the case of ESIFs in Wales this included accessibility to the labour market, support for social enterprises and environmental projects, and contributing to the objectives of the Wellbeing of Future Generations Wales Act 2015 and to thematic or overarching priorities including equalities.
- b. The importance and value of engaging voluntary sector leaders in policy and programme development and design, and in programme oversight and delivery.
- c. The value of enabling small voluntary bodies with limited administrative capacity to access funding by the use of umbrella bodies and latterly the instrument of the Intermediary Body, i.e., enabling bodies that know and can effectively reach their client groups, in this case via WCVA.
- d. How to stimulate elements of the voluntary sector to professionalise and strengthen core administrative and delivery capacities
- e. How to optimise the voluntary sector contribution without hampering delivery through administrative distractions.
- f. The value of the Technical Assistance function to establish capable bodies able to provide technical advice and support to both extend the reach of funding arrangements but also to improve compliance in the broadest sense with funding requirements and conditions.

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European Structural & Investment Fund Support for the Voluntary Sector in Wales

Section 1: Introduction, Project Brief and Methodology

Introduction

1.1. Across more than 20 years of ESIF operation in Wales since 2000, the relationship with the voluntary sector has been a significant feature. Early on, the Welsh Government articulated the ‘three thirds’ doctrine, which was designed to give broadly equal weight to the public, private and voluntary sectors.

1.2. Ultimately this resulted in the WCVA, as the national coordinating body for the voluntary sector in Wales, being granted Intermediary Body status, a responsibility granted only to one other body, and that being a part of the Welsh Government itself. This represented a high point of collaboration and a major expression of confidence in the capacity of the voluntary sector to play such a role.

1.3. As the ESIFs began to draw to their post-Brexit conclusion, the WCVA decided to commission a review of the changing and mutually influencing relationship between the Funds and the voluntary sector. They sought an independent view on the support provided by the ESIFs to the voluntary sector, and an assessment of the influence of the voluntary sector on the ESIFs. They commissioned UKRCS Ltd after a competitive tender.

The Brief

1.4. The project brief was to examine and report on how the ESIFs – and particularly the European Social Fund (ESF) and European Regional Development Fund (ERDF) - have supported the voluntary sector in Wales across 3 funding periods since 2000 (2000 – 2006, 2007 – 2013 & 2014 – 2020) and to:

- a. Establish and document the sector’s contributions and achievements - both quantitative and qualitative, and demonstrate the impact made by the funding and the sector, including through selected project case studies.
- b. Highlight the sector’s engagement in programme design and monitoring, and the effect on the voluntary sector as well as the effect of the voluntary sector.
- c. Highlight the effectiveness of the technical support service, including the use of the Intermediary Body model to encourage voluntary sector participation for example, through the distribution of accessible sized grants to voluntary organisations.

- d. Identify key lessons learnt from the voluntary sector's participation in the European Structural and Investment Fund programmes, including during and since the Covid-19 pandemic.

1.5. The project was commissioned in September 2022 and substantively completed in February 2023.

Methodology

1.6. Project delivery adopted a straightforward mixed method approach that combined:

- a) An initial desk-based review of working and policy documentation.
- b) A literature review of available research and in particular, evaluations and reviews that ranged from individual project level evaluations through select committee and other political scrutiny to strategic end of funding period reviews.
- c) Evidence gathering interviews using agreed Topic Guides. These engaged stakeholders spanning Welsh Government, WCVA, the voluntary sector, and a broad spectrum of stakeholders and interested parties, including some people that we would describe as authoritative observers who offered 'on the record' quotes.
- d) Illustrative case studies, examples and data including quantitative analysis to identify the broad scale and nature of voluntary sector involvement.
- e) A Steering Group validation workshop.

This Report

1.7. The substance of our report opens in Section 2 by describing the evolution of the ESIFs across 2000 – 2020 looking at their key developments and features. We see this as a responsive development process, shaped to changing priorities against the context of a maturing process of devolution to the sector.

1.8. Section 3 provides some key data to demonstrate the extent of voluntary sector projects and activities funded by the ESIFs, and Section 4 explores the engagement of the voluntary sector in the policy and planning process, and the character of that contribution in practice.

1.9. Section 5 assesses the role and value of technical assistance, and the significance of the Intermediary Body model, and Section 6 draws some suggested lessons and design principles for the future.

1.10. The report narrative also includes case studies, illustrations, and quotes to illuminate findings and conclusions.

Section 2. The Welsh European Structural and Investment Fund Narrative

2.1. This section summarises how European Structural and Investment Funds evolved over the three funding periods from 2000 – 2020 with particular reference to voluntary sector engagement.

Overview

2.2. Structural Funds were one significant element of the 1997 UK devolution agenda. They were devolved to the Welsh Assembly, which in turn established the Welsh European Funding Office (WEFO) as an executive agency of the Assembly to oversee administration.

2.3. WEFO's primary aim was to ensure that Wales derived maximum benefit from the European funds. As set in 2000 the objectives were to enhance economic development and employment opportunities throughout Wales by promoting sustainable economic growth, increasing prosperity in all parts of Wales, and tackling inequality, economic inactivity, and social exclusion.

2.4. Over the three funding periods from 2000, the overall approach evolved and was refined both in response to Welsh priorities but also to reflect EU changes, not least in adjusting to the accession of Eastern European states, although it is notable that the overall amounts for each funding period were surprisingly static in aggregate terms even if the balance between East Wales and West Wales and the Valleys varied more.

2.5. Table 1 below (see p.17) provides an over-view of the EU funds made available (noting that Welsh match funding was a requirement). In terms of context, as an example, the 2000 – 2006 funding period had an aggregate pan Wales budget for ESF and ERDF of £1.85bn for deployment effectively over 9 years including 'run out' post 2006 whereas the Welsh Government budget was some £12bn per year.

Key developments over the three funding periods

2.6. **2000 – 2006:** this funding period focused a substantial proportion of funding on what was known as Objective 1 which covered West Wales & the Valleys with Objective 2 ERDF funds available in selective parts of East Wales and Objective 3 ESF funding available across East Wales. In delivery terms, this funding period supported a substantially larger number of generally smaller projects (3000+) and included some potential for a community focused element (for example through the WCVA ESF Social Risk Fund) and the first WCVA established Communities Investment Fund project run through Social Investment Cymru in partnership with what is now known as CWMPAS to support community and social enterprises.

2.7. **2007 – 2013:** this funding period sustained the economic distinction between West Wales and the Valleys which benefitted from more substantial Convergence funds and East Wales which benefitted from Regional Competitiveness and Employment funds with some 90% of funding focussed on the Convergence area.

2.8. This funding period introduced a substantive shift in emphasis in that it involved the adoption of a more strategic approach to impact with fewer and larger projects approved and funded (300+). The period also saw the further development of the notion of 'umbrella' projects such as the WCVA ESF Engagement Gateway and Intermediate Labour Market programmes whereby WCVA played a key role in securing funding and then enabled smaller voluntary sector organisations to become beneficiary bodies and contribute their specialist expertise to wider structural fund objectives. This period also sustained support for community and social enterprises through a second WCVA established ERDF Communities Investment Fund project again run through Social Investment Cymru.

2.9. **2014 – 2020:** West Wales and the Valleys qualified as a 'lesser developed' region and attracted a substantial proportion of the overall EU budget with East Wales continuing to be classified as a 'more developed' region with a much more modest allocation.

2.10. The strategic approach adopted for the 2007 – 2013 funding period was sustained. Developments included projects such as the ESF WCVA Active Inclusion Fund which was one element in introducing the concept of Intermediary Bodies as a further devolution of specified administrative responsibilities to what we previously describe as umbrella projects.

2.11. The principle was that one organisation secures funds in recognition that it is both equipped to administer funds and report to WEFO but also well placed to engage and deploy them across a wider range of suitable and often smaller bodies. WCVA were one of two intermediary bodies. The period also saw WCVA secure funding for the ERDF WCVA Social Business Growth Fund delivered via Social Investment Cymru, again providing financial support for community and social enterprises.

2.12. One valuable principle applied across the three funding periods was the notion of 'backbone' projects that sustained key activities from previous programmes to provide continuity - for example, in voluntary sector terms, support for community and social enterprises through Social Investment Cymru and CWMPAS.

Some features of European Structural and Investment Fund Planning and Delivery

Inclusivity and Oversight

2.13. From the outset, WEFO worked to achieve an appropriately inclusive approach to the planning and deployment of ESIFs across the public, private and voluntary sectors, the 'Three Thirds Approach'. Inevitably achieving inclusivity coupled with the relatively demanding administrative requirements in deploying EU funds with relatively complex objectives at scale required a sophisticated superstructure. For example, the 2000 - 2006 Funds were WEFO-led in terms of programme administration. However, they were delivered through a series of partnerships set up to input into the identification and assessment of, and assistance to, appropriate projects, and comprising representatives of the public, private and voluntary sectors. For Objective 1 this involved:

- a. A Programme Monitoring Committee with overall responsibility for strategic direction and for the Single Programming Document (the overall planning document) chaired by a Member of the National Assembly and 18 other members with six from each of the three sectors.
- b. 10 regional partnerships, each dealing with a particular theme including themes for the information age, entrepreneurship, innovation / research and development, community regeneration (WCVA were the lead body for this), employment, and business support. These were responsible for identifying, supporting and assisting the development of individual projects.
- c. 15 local partnerships covering local authority areas. Again, these were responsible for identifying, supporting, and assisting the development of individual projects.
- d. 4 strategy partnerships to further advise on projects already proposed by regional or local partnerships.

2.14. Although the 2000 – 2006 arrangements were developed and refined over successive funding periods the principles embedded in that programme – and particularly cross sectoral inclusion - were sustained.

2.15. So, for example, the 2014 – 2020 Operational Programmes governed how the funds were spent in Wales and included one for each geographical area of funding (i.e., West Wales and the Valleys and East Wales). However, the Wales Programme Monitoring Committee for the ESIFs remained responsible for monitoring the delivery of ERDF, ESF and European Agricultural Fund for Rural Development (EAFRD) to consider how the funds work together to achieve maximum impact.

2.16. This involved 27 Members including the Wales Co-operative Centre (now CWMPAS) and WCVA. The remit included seeking to ensure co-ordination, to minimise duplication and to allow a range of views, backgrounds, and experiences to input their expertise into the decision making and strategic planning process.

A Responsive Development Process

2.17. Allied to the objective of achieving an inclusive approach, and in line with the core brief to ensure that Wales derived maximum benefit from the European funds, WEFO and Welsh Government embedded a process of continuous learning over the 20 years and three funding periods. It is beyond the scope of this work to review in detail the considerable body of work and accompanying documentation associated with the ESIFs which reflect this learning, but some notable examples include:

- a. A more strategic approach was developed. Audit Wales reported that: *“Learning lessons from the 2000-2006 programmes, the Welsh Government started the 2007-2013 funding round wanting to streamline programme structures, focus more closely on strategic priorities and manage performance more effectively through fewer but larger projects. The Welsh Government also placed a stronger emphasis*

on collaboration between stakeholders and greater use of competitive procurement”¹.

- b. In 2011 WEFO conducted a ‘reflection exercise’ to understand lessons learned from the 2007-2013 Structural Funds Programmes in Wales, and in 2012 Dr Grahame Guilford was commissioned to carry out an independent review of the implementation arrangements which made twelve recommendations for the 2014 - 2020 programmes to better target investments and maximise benefits from them².
- c. In response to a National Assembly for Wales Enterprise and Business Committee, examination of proposals for 2014 – 2020, the Welsh Government identified a need to ‘take decisions’ on matters that included:
 - i. Identifying the core priorities for funding and to concentrate resources to maximise impact.
 - ii. Improving the sustainability of investments, including through a greater emphasis on outputs, results, and outcomes.
 - iii. Identifying the best ways of contributing towards the goals of smart, sustainable, and inclusive growth.
 - iv. The extent of geographical and spatial targeting, including how the needs and opportunities of urban and rural areas can best be supported and the scope for stronger integration of interventions.
 - v. Reviewing delivery approaches with the aim of facilitating easier access to funds, while still ensuring high quality projects.

Administration

2.18. The ESIFs were accompanied by both complex delivery mechanisms and equally complex administrative requirements driven by factors such as:

- a. A genuine desire for inclusivity and therefore the need for relatively complex systems for assessment and oversight.
- b. The sophistication of Fund objectives in tackling structural issues that demand multi-faceted approaches and solutions in addressing challenges such as improving economic performance in relatively poorly performing areas, fostering innovation, research and development, business growth and tackling long term unemployment and economic inactivity.

¹ Audit Wales: Management of Latest Structural Fund Programmes Improved’ (Published April 2014)

² Investing in Growth and Jobs: An Independent Review of Arrangements for Implementation of European Structural Funds Programmes 2014 – 2020, Dr Grahame Guilford March 2013.

- c. The adoption of what could broadly be seen as an accounting-oriented approach to administration in response to the complexities of EU requirements that to some degree compromised the equally important delivery focus on outcomes. Section 6 explores this further in the context of potential lessons and approaches for the future. In essence, projects were assessed as much for compliance and outputs as for outcomes and longer-term impacts.
- d. However, it is also clear that WEFO strove to be responsive to administrative challenges and barriers where possible, within EU strictures.

2.19. Individual project evaluations confirm that larger organisations generally found it easier to engage with the ESIFs, smaller voluntary sector bodies experienced a greater impact from their involvement³:

“A clear divergence has emerged between respondents from larger delivery agents such as local authorities and respondents from smaller organisations such as local third sector organisations. Broadly, there was a greater impact (positive and negative) on smaller organisations than there was on larger delivery bodies.

Positive impacts identified included:

- a. *The opportunity to build on and enhance the work of delivery agents and their previous activities.*
- b. *Developing organisational experience, confidence, and capacity.*

Negative impacts were identified less often during interviews and were primarily seen as outweighed by positive impacts by the respondents [note: this was an ERDF umbrella project managed through Natural Resources Wales]. The main negative impact identified was however the administrative burden of managing and delivering a Communities and Nature initiative.”

Priorities and Change

2.20. Just as aggregate funding for ESF and ERDF was relatively consistent across the three funding periods, there were some constant underpinning themes, alongside evolving objectives, and targets to reflect changing priorities for funding. Part of the challenge for Wales was that macro-economic conditions inevitably changed over the 20 years in question and of necessity, Fund objectives and targets needed to reflect this whilst at the same time sustaining the economic growth narrative that underpinned the overall philosophy of the ESIFs.

“After 2010, the wider context of austerity made EU funding much more important.”

Jane Davidson Chair - Wales Net Zero2035 and past Welsh Government Minister for Education and then Minister for Environment, Sustainability.

³ The Evaluation of the Communities and Nature Project (CAN), March 2014, Wavehill.

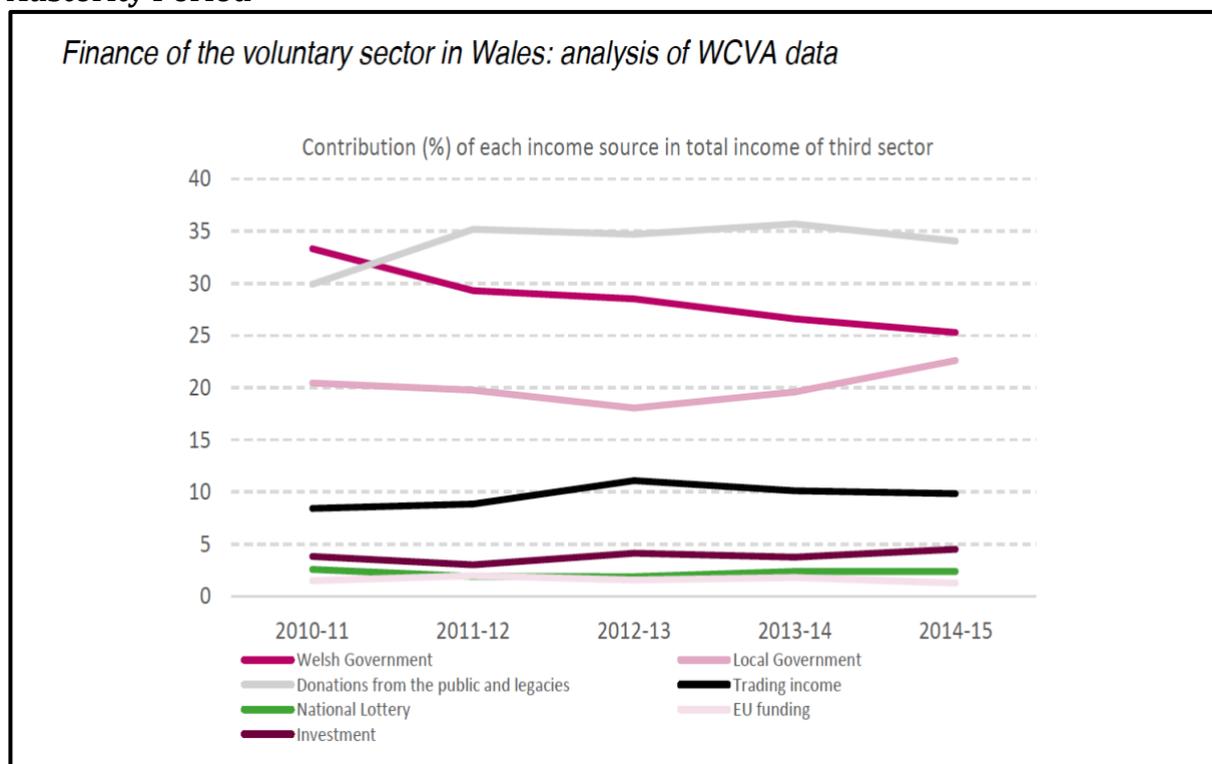
Annex 1: summarises European Structural and Investment Funds Objectives in Wales for each of the three funding periods.

Section 3: Data and Statistics

Overview

3.1. In aggregate, the ESIFs accounted for approximately 1-2% of total voluntary sector funding in Wales in terms of direct funding through projects and Technical Assistance. Chart 1 below illustrates this for the period 2010/11 to 2014/15. This represents a relatively modest proportion of total voluntary sector funding in Wales, however Sections 4 and 5 below explore how this funding added value both to Fund reach and in terms of building voluntary sector capacity.

Chart 1: Income and Funding of the Welsh Voluntary Sector in the Post 2010 Austerity Period⁴



3.2. Table 1 below summarises the funding periods for West Wales and the Valleys and East Wales.

3.3. Table 2 shows estimated voluntary sector awards (based on WEFO records) across ESF and ERDF for the three funding periods from 2000 with a pattern consistent with the overall shift in emphasis over these periods in adopting a more strategic approach with fewer awards for the latter two funding periods and reduced voluntary sector resources through awards from 2007 – 2013 on.

⁴ Nikos Kapitsinis: 'Finance of the Voluntary Sector in the Post Austerity Period', Wales Public Services 2025 (Hosted by Cardiff University Business School), Published 2018

3.4. In estimating voluntary sector awards, we have drawn on WEFO data and defined voluntary sector broadly to include appropriate social and community enterprises, charities and foundations applying criteria such as whether an asset lock applies to ensure that the assets are used for the benefit of the community.

Table 1 ESF and ERDF EU Funding Allocations Wales⁵

Funding Period	Area Focus	Descriptor	Total ESF / ERDF EU Funding
2000 - 2006	West Wales & the Valleys	Objective 1	£1.14bn
	East Wales	Objectives 2 (covering parts of East Wales) & Objective 3 (East Wales)	£285m (Obj. 2) £230m (Obj. 3)
2007 - 2013	West Wales & the Valleys	Convergence	£1.665bn
	East Wales	Regional Competitiveness & Employment	£185m
2014 - 2020	West Wales & the Valleys	Lesser Developed Region	£1.4bn
	East Wales	More Developed Region	£300m

Table 2 Estimated Aggregate ERDF and ESF Voluntary Sector Awards

Programme Period	Total Budget £s (ESF / ERDF Wales Wide)	Estimated Voluntary Sector Awards	% of Total Budget
2000 - 2006	£1.655bn	£224m	13.5%
2007 - 2013	£1.85bn	£105.5m	5.5%
2014 - 2020	£1.7bn	£138.5m	8%

3.5. In more detail:

- a. Out of an estimated £224.5m of voluntary sector awards in 2000 – 2006 ERDF accounted for £142.2m (63% of total voluntary sector awards) and ESF £81.8m (37%) - these awards were made to 241 individual organisations some of which received multiple awards.
- b. Out of an estimated £105.5m of voluntary sector awards in 2007 – 2013 ERDF accounted for £32.1m (30%) and ESF £73.4 (70%) - these awards involved 45 individual organisations some of which received multiple awards.

⁵ Note: EU funding contributions were subject to exchange rate fluctuations over time so figures may vary depending on when quoted.

- c. Out of an estimated £138.5m of voluntary sector awards in 2014 – 2020 ERDF accounted for £67,6m (49%) and ESF £70.9 (51%) - these awards were made to 13 individual organisations some of which received multiple awards.

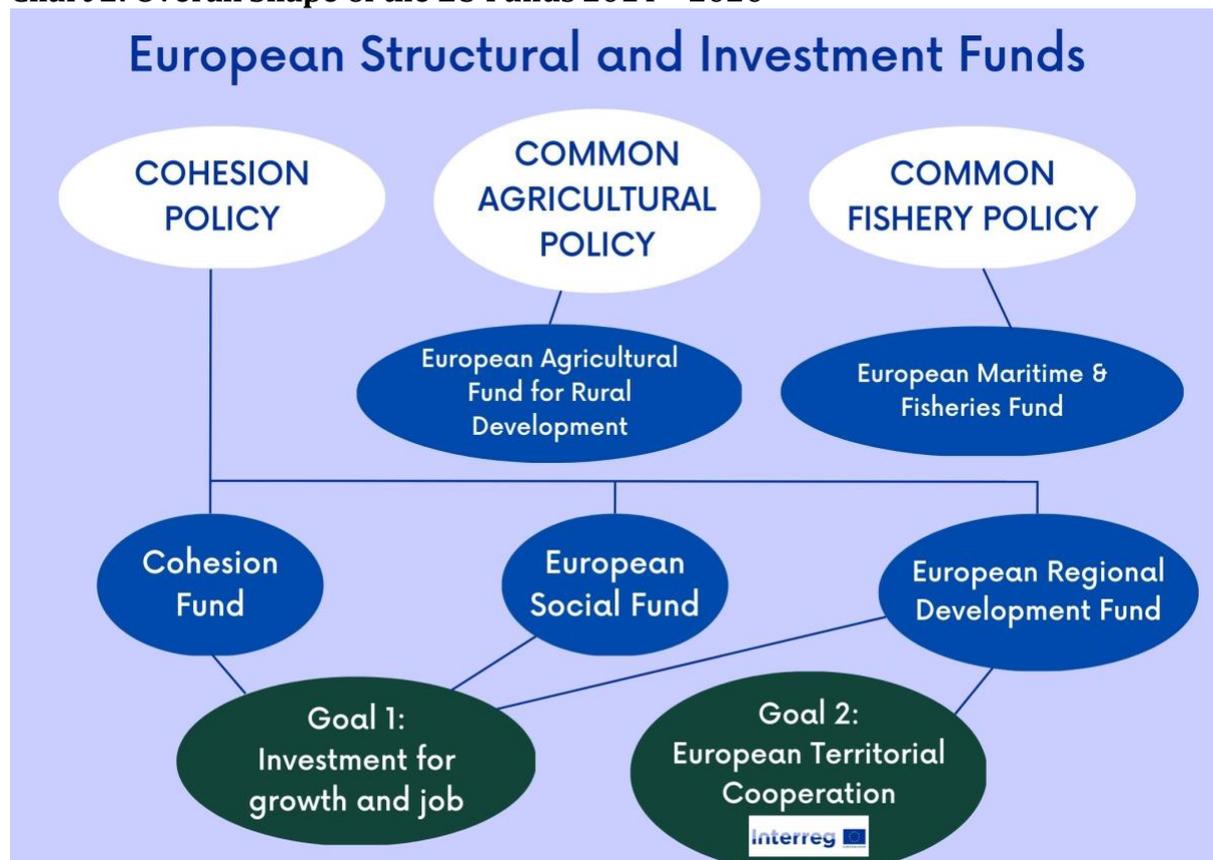
3.6. Over the three funding periods, WCVA acted as an umbrella body (and latterly for 2014 – 2020 an intermediary body) as well as drawing on Technical Assistance to support the sector with a proportionally growing role in engaging the voluntary sector in ESIFs through WCVA led projects:

- a. Over the 2000 – 2006 funding period WCVA was awarded £62.4m (28% of total value of voluntary sector awards))
- b. Over the 2007– 2013 funding period WCVA was awarded £34.1m (32% of total value of voluntary sector awards)
- c. Over the 2014– 2020 funding period WCVA was awarded £49m (35% of total value of voluntary sector awards)

Other EU Funding Programmes

3.7. ERDF and ESF sat within a wider context of EU funding: Chart 2 below shows the various elements of ESIFs in Wales for the last funding period which broadly follows a similar pattern to the previous two funding periods and shows how ERDF and ESF sat within that wider context.

Chart 2: Overall Shape of the EU Funds 2014 – 2020



3.8. Although out of scope for this work, it is worth noting that:

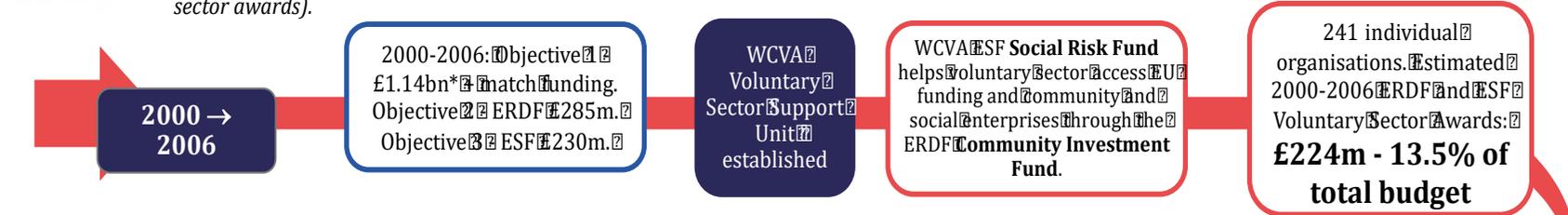
- a. The European Agricultural Fund for Rural Development – the 2014 – 2020 Rural Development Programme (and predecessors) provided some significant support for the voluntary sector, including through the rural community focused LEADER and agri-environment programmes where voluntary sector organisations were potentially eligible if they owned or managed land for environmental purposes.
- b. The existence of other EU funded programmes including those targeted to fisheries and INTERREG, which to varying degrees involved elements of the Welsh voluntary sector.

3.9. Chart 3 below provides a summary of key changes over the three funding periods and how the voluntary sector in Wales benefitted and contributed.

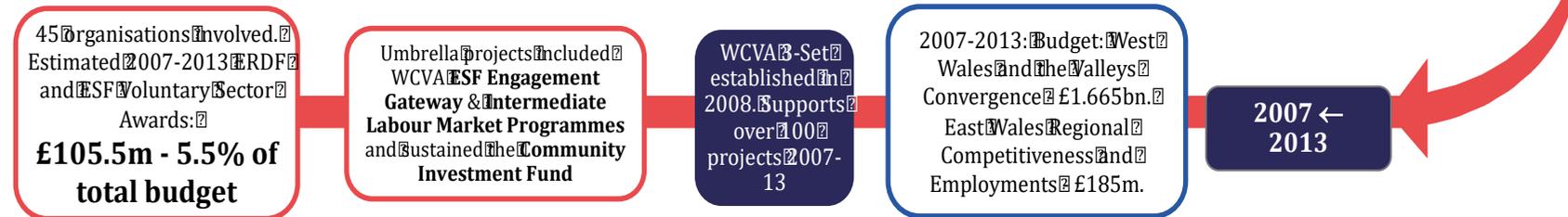
Chart 3

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2000 to 2006. Many voluntary organisations involved directly in the 2000-2006 funding period: including social enterprises, community enterprises and co-operatives. Some received multiple awards. WCVA awarded £62.4m (28% of total value of voluntary sector awards).



2007 to 2013. A strategic approach to fund deployment develops. Smaller voluntary bodies with limited administrative capacity access funding through umbrella bodies. WCVA awarded £34.1m (32% of total value of voluntary sector awards).



2014-2020. Strategic approach sustained through the concept of Intermediary Bodies with specific administrative function for fund distribution, reporting, and engagement and support for smaller organisations. WCVA awarded £49m (35% of total value of voluntary sector awards).



* Please note: EU funding contributions subject to exchange rate fluctuations over time so vary depending on when quoted.



Section 4: Analysis of Voluntary Sector Engagement

4.1. This Section describes key dimensions of voluntary sector engagement in ESIFs in more detail, looking at overall influence in policy, planning and programme design and how voluntary sector engagement both extended the ESIFs' reach and the extent to which they helped to develop voluntary sector capacity.

“One big takeaway in what made it easier in Wales for the voluntary sector to access European Structural and Investment Funds was the trusted relationships between the EU and WEFO, and between WEFO and the voluntary sector. This did not happen in England.”

Professor Sir Adrian Webb, Chair of the Big Lottery Fund, Wales, and Chair of the Welsh Government Ministerial Advisory Board on the Economy

Engagement in Policy and Planning

4.2. Fundamentally ESF and ERDF were broad based economic development focussed funding instruments, albeit with strong socio-economic and sustainability dimensions in terms of objectives that included the alleviation of poverty, equalities, and sustainability. The voluntary sector was therefore one voice amongst a complex picture of stakeholders and valid interests in that:

- a. The public, private and voluntary sector all had important roles to play.
- b. A complex range of organisations were potentially eligible including Welsh Government, local authorities, academia, companies (with some challenges in terms of the relationship to European Union State Aid regulations) and voluntary sector organisations etc.
- c. Various sectors and organisations were more, or less well positioned and/or equipped to benefit. For example, characteristically small Welsh private sector interests were least able to access and as noted above, faced complexities in relation to State Aid Regulations. In contrast, the Welsh Government was generally well resourced to access the ESIFs, with smaller organisations such as many in the voluntary sector less so.
- d. However, we conclude that a combination of WCVA providing an active and constructive national voice (not least through early pro-active engagement) and WEFO willingness to be inclusive coupled with a (relatively modest) coterie of voluntary sector organisations who saw potential opportunities meant that the voluntary sector had a stronger voice than might otherwise be expected.

“There was a great deal of influencing by the voluntary sector even before 2000, especially through the County Voluntary Councils which in some cases became intermediaries between voluntary organisations and the funding bodies, which were often local authorities in the early phase of ESF bids. Lots of voluntary organisations wanted to access the funding. The Voluntary Sector Partnership Council emerged

from this early influencing, as did the ‘three thirds’ doctrine. Our appetite was to create real partnership between the three sectors.”

Jane Davidson Chair - Wales Net Zero2035 and past Welsh Government Minister for Education and then Minister for Environment, Sustainability.

4.3. Our commentators on strategic impact differed in their opinions, for example on whether voluntary sector involvement blunted a more critical voice:

“The sector’s challenge role has not been blunted, partly because key bodies including WCVA have been conscious of that risk and provided for it. Welsh Government Ministers helped in continuing to welcome advocacy and challenge from the sector. If anything, it has been the officials who have been more concerned to limit criticism.”

Peter Davies past Chair WCVA

“The advocacy and challenge function was blunted. For example, EU funding on employability places responsibility on the individual as against the distribution of economic activity, for example. The challenge to that view was missing.”

Director, Welsh Think Tank

4.4. The UKRCS assessment, including our evaluation of the WCVA Active Inclusion Fund, suggests that the voluntary sector challenge function was honed by the need to constructively engage (rather than stay on the outside to ‘lob bricks inwards’). Working with the grain involved compromises. However, employability initiatives, for example, whether EU funded or not, frequently had inherent weaknesses in failing to work with both potential labour supply and the demand side (i.e., what skills and competencies are needed to match with real-world needs), or to take sufficiently long-term approaches to economic trends to ensure that today’s participants are not tomorrows casualties. The question is therefore whether this is a weakness of EU Funds, or alternatively, a weakness in underlying policy and practice orthodoxy.

Characteristics of the Voluntary Sector Voice.

4.5. Key facets of voluntary sector influence revolved around:

- a. WCVA national leadership with the ability to speak for and on behalf of the sector nationally.
- b. The creation of the Third Sector European Forum in 2011 to bring together third sector lead and joint sponsors of ESF and ERDF projects to share information and good practice. Although membership changed over time, these objectives remained constant.
- c. WCVA plus some other voluntary sector organisations acting as a voice in terms of what works, and articulating barriers and difficulties, not least in relation to advising on administrative requirements and complexities.

- d. WCVA and other voluntary sector presence on some key boards, panels and other oversight and advisory bodies (see also Section 2).
- e. WCVA as a provider of sector support providing practical help for voluntary organisations wishing to engage with structural fund, acting as a 'realistic' advisor to potential applicants and a helping hand in tackling the administrative requirements that accompanied the ESIFs.
- f. WCVA as an Umbrella or Intermediary Body to enable smaller voluntary sector organisations to benefit who might not otherwise have been eligible and in turn, helping to extend the reach of Fund deployment to – for example – 'hard to reach individuals and groups (or the seldom heard as a member of the WCVA Economic Inactivity Panel described them) who may be in client groups of specialist or local voluntary sector organisations but substantively outside the reach of more institutional organisations or systems.
- g. Relevant specialist expertise, for example, Chwarae Teg in relation to equalities and the role of women, with influence both in terms of action on the ground and in formulating policy.
- h. Often WCVA led activity to facilitate networking support so that WCVA and other larger voluntary sector organisations could share knowledge and support the sector, and act to lever co-operation between organisations. For example, WCVA worked with the local authority led Workways ESF funded project in South-West Wales to create referral systems between projects (including the WCVA Active Inclusion Project) in supporting people towards or into employment.

4.6. Consistent data is not available to fully analyse voluntary sector contributions where organisations were not a direct recipient of funding, but involvement in broader programmes included being:

- a. A referral partner identified in theories of change (among one of many referral partners e.g., Communities for Work).
- b. A training provider and / or employer (e.g., Apprenticeships programme, Traineeships, Active Inclusion Fund).
- c. A location where wider programme staff or advisors go to reach and engage participants (e.g., PACE).

Characteristics of Voluntary Sector Activity

Focus

4.7. Initially there was some community-based activity funded through 2000 – 2006 Programmes. However, as the ESIFs evolved in subsequent funding periods with a shift

to a more strategic approach and far fewer projects, the pattern of voluntary sector engagement changed with:

- a. A broad focus for ESF on employability, albeit widely defined in terms of support towards as well as into work and therefore focused on soft skills such as confidence building as well as specific work-oriented activity.
- b. ERDF support for community and social enterprises and co-operatives.
- c. ERDF support for some community / small scale energy projects which proved a challenging objective for reasons that extend beyond European Structural and Investment Funds given considerations such as planning requirements and the practicalities of connecting to the grid.
- d. Rural Development Programme funding (e.g., LEADER in rural and more sparsely populated areas such as Mid Wales).

“Environmental projects have been one area where the EU has had a very positive influence in supporting and stimulating voluntary sector action. EU funding had a big impact on the capacity and capability of the voluntary sector in relation to the environment, including by providing core funding which then in turn facilitated others to bid.”

Jane Davidson Chair - Wales Net Zero2035 and past Welsh Government Minister for Education and then Minister for Environment, Sustainability.

Case Study: ERDF: Awel Co-op

4.8. Awel is a Community Benefit Society which owns and operates two 2.35MW Enercon wind turbines on Mynydd y Gwrhyd, 20 miles north of Swansea. These turbines produce clean, low carbon energy - estimated to be 12,558 MWh of clean energy a year, enough to supply over 2,500 homes. The windfarm is profitable and has supported the purchase of community facilities and has funded Egni Coop which develops rooftop solar energy, currently across 88 sites.

4.9. The windfarm depended critically on an early injection of ESIF funding to undertake an Environmental Impact Assessment to support the crucial work on achieving planning consent and the necessary land agreements. Overall, the project also attracted a mix of funding over several years from the former Department of Trade and Industry, Coalfields Regeneration Trust, and a range of other funders. This sequencing of funding from a variety of sources, including EU funds, is a common theme among environmental and community energy projects.

4.10. The EU funding, of £150,000, was in the early noughties, and the project struggled for some years to get planning consent, eventually starting the build in 2016. Throughout, the original EU support was critical, because the work it had funded continued to be a core foundation stone for the project.

4.11. More recently the project leaders were disappointed in the approach being taken by WEFO in relation to community energy schemes, and they are not starry eyed about EU funding. But that vital and valued early support, and the strong overall EU policy support for community/citizen energy, remains a feature of their history and success.

How Did the Voluntary Sector Engage in Projects?

4.12. There were three broad ways in which voluntary sector organisations engaged in funded projects:

- a. Some larger organisations directly engaged including CWMPAS, Chwarae Teg and ELITE. In these cases, the organisations were both capable of tackling Fund requirements (or in a position to develop that capacity) and generally had a core organizational ‘raison d’etre’ that offered a clear ‘fit’ with Fund objectives.
- b. Umbrella projects / the Intermediary Body enabled smaller organisations to engage and contribute that otherwise either did not have capacity or were too small to engage directly.
- c. Partnership with others leading projects (either within the voluntary sector or across sectors) was a further avenue. The evidence is less conclusive to judge the aggregate effectiveness of this in terms of practice and outcomes. There is evidence that some projects collaborated and worked together effectively, but also evidence of undesirable competition or a failure in working across sectors. Our interviews also highlighted regional differences. For example, there appears to have been a more collaborative approach in sparsely populated and predominantly rural Mid Wales in response to limited aggregate organizational resources. This meant that organisations needed to come together and share resources.

Did Voluntary Sector Activity Extend European Structural and Investment Fund ‘Reach’?

4.13. Whilst a modest proportion of total Welsh voluntary sector resources (see Section 3), the evidence from project evaluations (including that for the WCVA Active Inclusion Fund) demonstrates that voluntary sector action:

- a. Made it possible to reach groups, individuals, and economic activity that ‘mainstream’ programmes and larger institutional organisations would have struggled to reach and help across both ESF and ERDF, for example, in relation to support for community and social enterprises and co-operatives.
- b. Enabled the funding of organisations with expertise and knowledge of and engagement with specific client groups, communities, or relevant businesses, including where voluntary sector organisations were visible, trusted, connected to local communities, and understood the target group.

- c. At their best, also fostered innovation and economic benefits from smaller, niche, or local opportunities for employability and business growth which also had advantages in supporting the aspiration to develop a foundational economy.

Did the Three Thirds Approach Work?

4.14. On the evidence of this work, we give a qualified but positive response in terms of voluntary sector engagement in the ‘three thirds’ arrangement on the basis that it:

- a. Gave clear expression to the aims of the Well-being of Future Generations (Wales) Act 2015 and the ways of working identified as important to delivering these aims
- b. Gave voice and influence to the voluntary sector in ways that are consistent with Welsh Government policies that recognise the value of the sector.
- c. Released at least some of the voluntary sector’s ability to contribute to the broad sweep of ESIF objectives in Wales.

4.15. Reservations revolve around:

- a. Variable evidence of genuine and beneficial inter organizational and cross sectoral collaboration and co-operation. Although this improved over the three funding periods it remained a long way from the aim of ‘joining up’ which is much aspired to and less often achieved in Welsh and wider UK public policy.
- b. Practical constraints on voluntary sector ability to engage, particularly in terms of organizational and administrative capacity, and through the adoption of a more strategic approach to Fund deployment. However, Section 5 below describes how the use of umbrella bodies and WCVA becoming an Intermediary Body for the 2014 – 2020 funding period ameliorated these constraints.

4.16. Wider issues arising from the three thirds approach are beyond the scope of this study, but for example, we note the view expressed by interviewees that the voluntary sector was enabled to play a significant and influential role and arguably, was less challenged than the private sector in Wales for whom a combination of European Union State Aid requirements and the predominance of Small and Medium sized Enterprises in Wales acted as constraints on engagement.

“There was a positive enabling of the voluntary sector through engagement with the structural funds. Voluntary bodies grew in capacity and expertise in responding to opportunities. There were downsides, because of the peaks and troughs of funding.....expertise developed but would then in part be lost. But overall, the sector and the outcomes they have produced are stronger as a result. The discipline, and the focus on outcomes required by the EU, contributed to that.”

Peter Davies Past Chair WCVA

Longer Term Impacts on the Voluntary Sector

4.17. The picture is mixed. As the Funds close there remain current uncertainties and reduced resources which is leading to significant downsizing and reduced capacity to sustain work funded through the ESIFs in the voluntary sector in Wales. Those voluntary sector organisations that used the Funds to substantially grow their operation maybe downsizing but they:

- a. Have built capacity to navigate and manage funding schemes and official process. In some cases, this has translated into more efficient and effective organisations with resilience and flexibility to adapt.
- b. Some are establishing – or have already established - alternative models for sustaining at least aspects of past funded activity, for example, by securing Welsh Government funds or by developing alternative business models and funding arrangements.

4.18. Much experience, knowledge and learning has been gleaned by the sector and there is a question about the extent to which this will be retained and accessible for the future with the attendant risk of re-inventing wheels in future.

“EU funding aimed for specific objectives and outcomes, including aspects of organisational behaviour, and that has re-oriented the activities of a number of important medium size voluntary bodies in Wales, some of whom became very skilled at accessing EU funds, with some becoming heavily dependent.”

Director, Welsh Think Tank

Case Study (ERDF): Social Investment Cymru

4.19. Successive ERDF funding periods supported investment in social enterprises. The rationale for this was a market failure because such enterprises were - and remain - challenged to access mainstream sources of finance: the business models typically adopted including Community Benefit Societies are not well understood by mainstream banks and profitability is often modest.

4.20. This rationale was heightened by the 2008/09 financial crisis with a resultant banking ‘flight to quality’ and tightening of criteria for lending.

4.21. As a result. WCVA established Social Investment Cymru working with sector specialists (and particularly with what is now known as CWMPAS) and, also with the Development Bank Wales.

4.22. Funds were secured through the Community Investment Fund from 2006 – 2015 over two ERDF funding periods and then the ERDF funded Social Business Growth Fund from 2016. Throughout, WCVA have sought to secure multiple sources of funding although early ERDF funding was instrumental in providing the necessary impetus.

4.23. It is also notable that Social Investment Cymru was led in WCVA by someone with longstanding banking expertise which is an important factor in the success and longevity of the function.

4.24. Although the details evolved and changed, the essential purpose was and is to offer finance at the relatively modest scale generally required by social enterprises through a mix of grant and repayable assistance ('blended finance') to enable social businesses to grow and create jobs.

4.25. Despite undeniable challenges, Social Investment Cymru has built up a recyclable source of funding and continues to creatively establish additional sources of funds. The result is confidence that it will be sustainable given continued need, not least as these enterprises complement Welsh Government aspirations for the Foundational Economy.

COVID 19 Impacts

4.26. Overall, it is difficult to assess specific long-term COVID 19 impacts on European Structural Funds because COVID 19 struck 'late in the day' as 2014 –2020 programmes drew to a close. Therefore, the impacts of changes in funding arrangements post the ESIFs are impacting contemporaneously. However:

- a. The most profound COVID 19 impact was on scheduled spend and outcomes with major re-programming necessary to reflect the acute level of disruption resulting from the pandemic.
- b. Beyond this, impacts on individual voluntary sector projects varied very widely depending on the nature of the activity funded and the potential for adaptability, and the capability of the organization concerned to adapt.
- c. Therefore, COVID 19 was disruptive for well documented reasons that included lock down, individuals needing to shield, organizational ability to respond, and changes to working methods dictated by the situation.
- d. So, beyond radical rescheduling of funded projects and programmes, the main impact was in variable voluntary sector adaption to delivery and the consequences of achieving that effectively – or not.
- e. Longer term, the aftermath is driving changes in organizational ways of working. The specific impact on ESIFs is clouded by the voluntary sector response to reductions in available funding with new post Brexit changes in funding and policy less well resourced.

Illustration COVID 19 Impacts: Active Inclusion Fund Evaluation 2022

No 'yard stick' to compare performance, however, AIF remained operational in challenging circumstances with transferable lessons around:

- a. Valuable WEFO / WCVA flexibility in relaxing administrative requirements and active WCVA staff communications and engagement with funded bodies.
- b. The value of resilience, agility, and adaptability: differences between grant awardees were stark: typically, resilient organisations that are committed and close to their clients were most successful in adapting and sustaining support.
- c. Understanding likely impacts on vulnerable people and maintaining support through adaptation. Successful support adopted new ways of working yet sustained reassurance and contact addressing wellbeing as well as employability.
- d. Virtual working sometimes provided a window into wider participant living conditions and poverty, sometimes resulting in wider help (e.g., help to access food or clothes banks).
- e. Successful organisations addressed digital poverty and literacy, with benefits that are likely to extend beyond the pandemic.
- f. In some cases, virtual engagement increased participation, e.g., with families rather than individuals and in some cases enabled participation by people who probably wouldn't engage face to face (e.g., through cultural expectations and norms).
- g. Support that aided participants in helping others in a time of crisis.
- h. The potential economic impacts are still working their way through with potential impacts on participant motivation (e.g., in seeking employment) and accelerated change in employment markets, but new opportunities including volunteering.

COVID 19 restrictions have driven or accelerated shifts in how society operates: the extent to which society reverts post pandemic is subject to debate. However, one likely outcome is the adoption of hybrid ways of working that revert to face-to-face approaches but integrate digital approaches and ways of working to a much greater extent than pre-COVID 19.

Section 5. The Role and Value of Technical Assistance / The Intermediary Body Model

5.1. The voluntary sector in Wales developed an enviable record in relation to the ESIFs in terms of the confidence which officials placed in the Technical Assistance which was accessed and delivered by the voluntary sector from early on. This led eventually to the award of Intermediary Body status for WCVA. This made possible the devolution of competitive grant arrangements to the voluntary sector.

5.2. This Section explores both aspects by which the voluntary sector became an integral part of the ESIF infrastructure.

The Role and Value of Technical Assistance

5.3. Technical Assistance was a two-way concept to encourage uptake but also to provide a means to ensure quality applications that 'fitted' with Fund requirements. It was funded as an element in ESIFs. In summary terms, voluntary sector support through Technical Assistance evolved as follows:

- a. The Voluntary Sector Support Unit (for the 2000 – 2006 funding period) was established and funded in 2001 as a WCVA managed support project to help ensure that European Funding and applying for it was accessible to the voluntary sector. The function provided advice and guidance to organisations together with training and information material that was made available to the sector at large.
- b. In 2008 WCVA established 3-SET again to provide the voluntary sector with information, advice, and training to support organisations in accessing European structural funding. During the 2007 – 2013 funding period, 3-SET provided support to over 100 different potential projects.
- c. During the 2014 - 2020 funding period, the total cost of 3-SET (to 2022/23) is projected to be £2,526,984 with £1,779,368 committed from EU Structural Funds. For this programme period the aims of 3-SET were to:
 - i. Increase awareness of the 2014-2020 ESIFs and other EU funding streams in Wales and to publicise their impact.
 - ii. Increase the engagement of the third sector in the design and implementation of the 2014-2020 programmes at national, regional, and local levels.
 - iii. Improve the compliance rates and reduce the risks of third sector project delivery.

5.4. It is also of note that Regional Engagement Teams were also established and funded through Technical Assistance and played an important role in providing cross sectoral oversight and to regionally proof applications to ensure their alignment with regional priorities and needs. A WEFO commissioned evaluation found a "*constructive working*

*relationship in place between Regional Engagement Teams and WEFO*⁶. The evaluation also found that the main achievements of the Regional Engagement Teams were around engagement, communication, and networking. RCS work also suggests a sound working relationship with WCVA.

Case Study: Assessing the Value of the 3-SET Contribution

5.5. Overall, we echo the Third Sector European Team (3-SET) Evaluation⁷ which concluded that:

“The evidence and data examined for this report suggest that the 3-SET have been, and are likely to continue to prove to be, an effective, impactful, valued and needed service for the third sector in Wales. What is more, there is a case to be made that its contribution in the final few years may prove to be most valuable in relation to the future, in preparing organisations to access replacement funding structures and to lobby for the sector and its access to replacement investment structures on a strategic and policy level.”

5.6. Our findings also suggest that where organisations built ‘in house’ capacity, they needed specific support less, but still valued the WCVA national voice as a partner and supporter in working with WEFO where collective problems or barriers arose in terms of Fund administration and requirements.

5.7. However, such organisations were relatively few, and for voluntary sector organisations generally, and particularly smaller ones, the availability of help and support in accessing funding in whatever form, was valuable and an aid to effective delivery of results as well as value for money for the funding body.

5.8. Individual evaluation reports echo this positive feedback in relation to WCVA support throughout the three funding periods, for example:

“Some interviewees identified positive long-lasting impacts attributed to the support including a) ability to access the funding in the first place, b) making good use of the funding in project activities and c) a detailed understanding of the European funding programmes⁸.”

“From the application stage onwards, 3-SET have been involved and provided support and guidance. They were always there to give guidance and advice when needed. Like with [adapting to COVID 19], with regards to the claims process we had training and guidance on how to use the [Project Data System] which is where we log in all the information of participants and progress.”⁹

⁶ WEFO Regional Engagement Teams Evaluation Social Research Number 38/2020 Published 04/06/2020: Research conducted by OB3 Research, in conjunction with Hatch Regeneris and Dateb

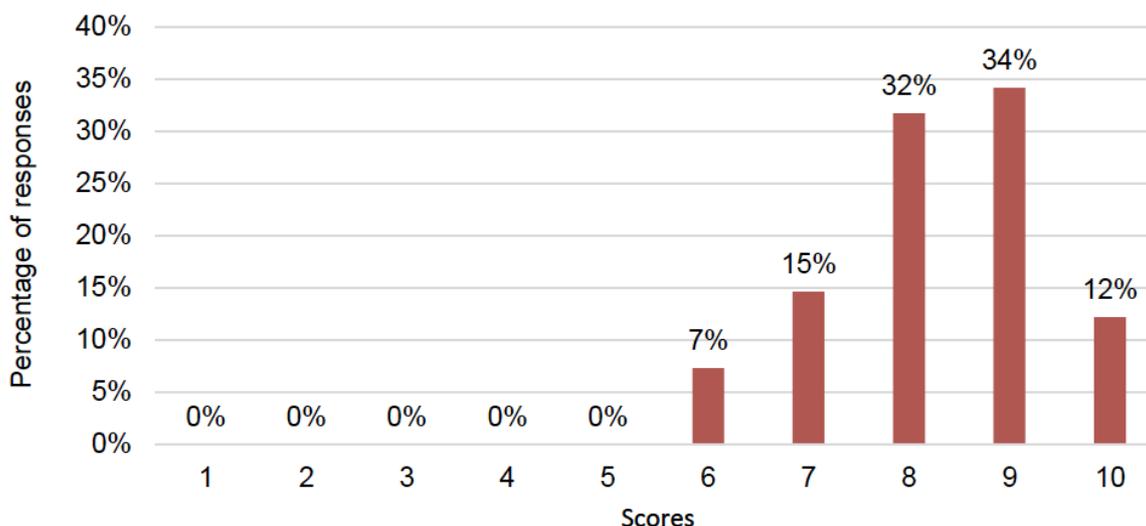
⁷ WEFO The Third Sector European Team (3-SET) Evaluation Social Research Number 51/2021 Published 20/07/2021 Research conducted by Wavehill.

⁸ Voluntary Sector Support Unit Evaluation, March 2008, CM International Ltd

⁹ 2020 Beneficiary Interview: WEFO The Third Sector European Team (3-SET) Evaluation Social Research Number 51/2021 Published 20/07/2021 Research conducted by Wavehill.

5.9. WEF0 published a 3-SET evaluation in 2021 (looking at the 2014 – 2020 funding period) which included an examination of organisational satisfaction with the support (sourced from 52 Beneficiary interviews) as summarised in the chart below.

Chart 4: Beneficiary Organisations Assessment of Benefits Derived from 3-SET support (A score of 1 = little / a score 10 high).



“The voluntary sector is itself a composite, in which national charities don’t need a coordinating body, the medium size ones have deeper involvement with WCVA, and then the myriad of smaller ones really need the technical advice and the intermediary support.”

Director, Welsh Think Tank

Umbrella Bodies / The Intermediary Body Model

5.10. WCVA was appointed as an Intermediate Body under the 2014-2020 programme: a recognition of its ability to manage and administer competitive grants on behalf of WEF0. This introduced a further element of devolving Fund operation that built on the role that WCVA played as an umbrella body to engage the voluntary sector and particularly smaller organisations. These arrangements were also important because:

- a. Many initiatives were led by local authorities and Welsh Government departments (and academic institutions in relation to ERDF), with the voluntary sector engaged to varying degrees in the delivery of activity rather than acting as project lead or partner.
- b. WCVA suggest that this played to sector strengths in working in partnership, but the evidence suggests that the reality of co-operation / collaboration was patchy and despite best efforts by all concerned, competition rather than desirable joint working arose.

- c. The direct WCVA role as an Intermediary Body (and previously an umbrella body) filled some 'gaps' both in employability objectives and in support for community and social enterprises and co-operatives.
- d. The Intermediary Body model (and previously acting as an umbrella body) therefore helped to address Fund accessibility for smaller third sector organisations who could apply, develop, and deliver projects which would otherwise be excluded due to their size, duration or low financial value.

"In order to provide a level of local knowledge, contact and communication the [WCVA led] Engagement Gateway had a Service Level Agreement with local County Voluntary Councils and had a Local Advisor based within each who had the responsibility to go out and promote and explain Engagement Gateway to supply organisations. This included duties such as advice on submitting tenders, target groups of participants, and help with understanding the procurement process."¹⁰

5.11. In interviewing beneficiary bodies, this evaluation of the Engagement Gateway yielded quotes such as:

"It increased the skills of our delivery staff in dealing with a wider range of beneficiaries. It's helped us to work with people further away from the labour market than we would normally be able to."

"Our capacity for delivering people relevant support ending in positive lasting outcomes is boosted dramatically. We are more equipped to cross reference support and network with other providers."

"It's helped establish our organisation, it's meant we've been able to help participants in a big way and refine our offering. We are a lot more professional; we have a greater understanding of procurement and monitoring and we're a more efficient and effective organisation. It's enabled us to be ambitious and move forward with future goals."

"Now we have the experience and confidence to go for big EU projects, it gives us a lot of scope in terms of development and growth."

Case Study: Illustrating Voluntary Sector Impacts for European Structural and Investment Funds: Active Inclusion Fund with WCVA as an Intermediary Body

5.12. This case study offers a brief insight into impacts and results from the ESF Funded and WCVA run Active Inclusion Fund (AIF). AIF was an employability programme that operated across both West Wales and the Valleys and East Wales. It targeted the hardest to reach (or 'seldom heard' as described by a member of the WCVA Panel in steering AIF) who were long term unemployed or economically inactive and who faced the toughest barriers to entering or re-entering the labour market.

¹⁰ Final Summative Evaluation of the Engagement Gateway Project within the Regional Competitiveness and Employment Area, October 2012, Wavehill.

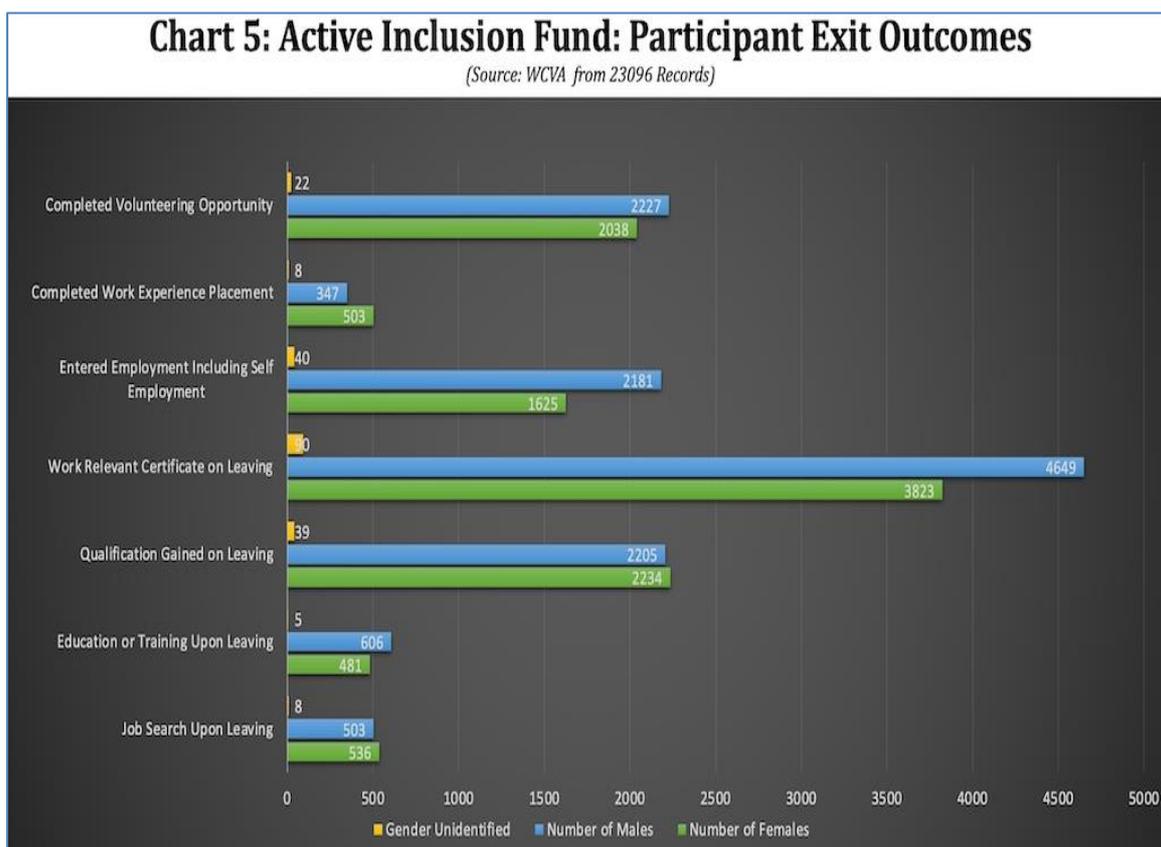
5.13. The Active Inclusion Fund was operated by WCVA as an Intermediary Body and ran from 2015. Over 100 diverse beneficiary bodies were funded to support more than 23,000 people in targeted groups. These organisations were substantively from the voluntary and not for profit sector and for phases one and two of AIF, the average award was approximately £58,700, thus funding many organisations that may not have qualified if they directly applied rather than through WCVA. Overall, the programme evaluation¹¹ concluded that:

“AIF reached targeted groups and individuals and ‘made a difference’ in successfully helping many very challenged people. ..&.. Overall, AIF added a flexible element in Welsh employability policy with value in enabling highly tailored support where:

- a. Needs could not be wholly met by larger institutional approaches; and*
- b. In engaging with groups that are characteristically outside the reach of mainstream employability initiatives.”*

5.14. The programme evaluation also made a cautious assessment of Social Return on Investment of £3.37 for each £1 invested. The charts below illustrate impacts achieved.

5.15. **Chart 5:** audited AIF outcomes that counted towards European Structural and Investment Fund objectives (noting that a few more participants would have been supported after this data record which was to 31st March 2022).

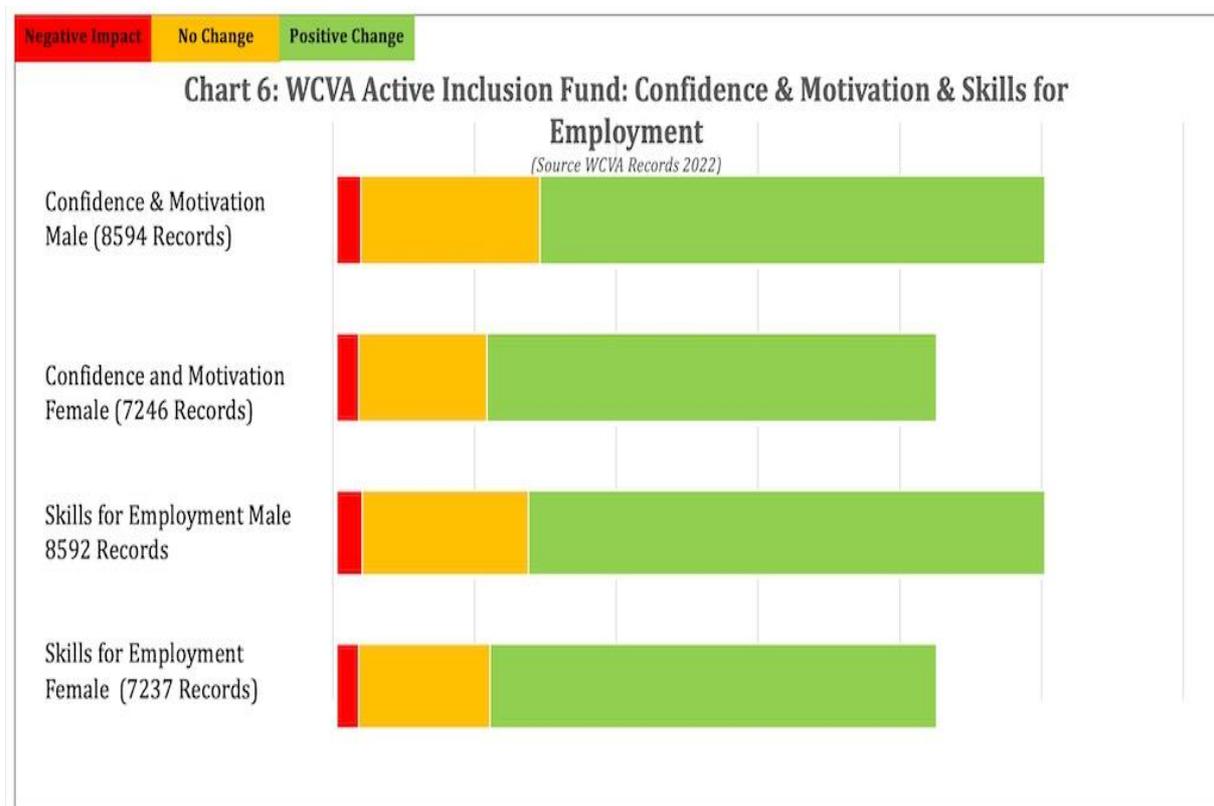


¹¹ UKRCS Evaluation of the WCVA Active Inclusion Fund Published in 2022

5.16. **Chart 6:** Confidence & Motivation and Skills for Employment: the following chart shows outcomes that are important in the context of helping challenged people towards and into employment (or volunteering) but didn't count as formal European Structural and Investment Fund objectives. The questions were asked of all participants both at the outset and on completing AIF support. Again, the data is for complete records to 31st March 2022.

5.17. **Confidence and Motivation** questions ranged from: Score 1 (low): *I have no confidence or motivation and do not believe that there are any sources of support to help me find employment or further learning opportunities* to Score 5 (high): *I am confident and motivated and feel that I am ready for future employment and learning opportunities.*

5.18. **Skills for Employment** questions ranged from: Score 1 (low) *I don't believe I have any skills that are relevant and will secure me employment* to Score 5: *I believe I have all the relevant skills I need to secure employment.*



WCVA ESF Funded Active Inclusion Fund participant who was subsequently employed by the beneficiary body who supported her:

“It’s been fantastic for me, and I genuinely mean that, it’s been a wonderful experience and even now, I can’t wait to get up in the morning and see people...It’s such a shame it’s not going to continue and sad, quite emotional for me. If you go on to an AIF Project like I did and grab it by the scruff of the neck and get everything you can out of it, it absolutely works, it really does”.

Section 6. Lessons and Design Principles

6.1. This section suggests some lessons and design principles drawn from ESIF experience that might help to inform future developments and funding arrangements.

Overall

6.2. Whilst ESIFs were marked by complexity for the reasons given earlier in this report, at their best one important facet was an inherent flexibility in funding a variety of approaches to achieve desired outcomes. So, despite administrative hurdles, they allowed a wide range of capable organisations to engage and contribute. Support for community enterprise and co-operatives, and employability are examples. Funding could support more mainstream approaches whilst also supporting specialist organisations with the ability to innovate and flex.

Some Suggested Design Principles

- Setting Targets:** place weight on the quality of outputs and outcomes and the longer-term impact, with numerical targets that are realistic in terms of local geographies and in terms of time scales for achievement. Quality and sustainability of outcomes should ‘trump’ numbers. Over successive funding periods the ESIF targeting frameworks were sometimes overly precise in terms of fine detail to the extent that they were unrealistic. Table 3 below is an illustration in the form of an early Active Inclusion Fund planning document.

“One of the most striking aspects of the Objective 1 SPD and the revised Programme Complement is the extent and ambition of the quantification of targets”¹².

“Programme design was inconsistent with a highly detailed and numerically overly precise breakdown by target group and geographic area”¹³

Table 3: Extract from an Early AIF Business Plan

Target group	Local Authority area														Outcomes							
	Blaenau Gwent	Bridgend	Cardiff	Cardiffshire	Cardiffion	Conwy	Denbighshire	Gwynedd	Isle of Anglesey	Merthyr Tydfil	Neath Port Talbot	Pembrokeshire	Rhonda Cynon Taf	Swansea	Torfaen	Total Engaged	Part quals	Full accredited qualifications	Further learning	Volunteering	Employment	Positive outcomes
Low skills	144	55	150	182	18	154	177	73	103	196	269	128	646	308	204	2,806	340	982	675	473	275	2,220
S1	144	55	150	182	18	154	177	73	103	196	269	128	646	308	204	2,806	340	982	675	473	275	2,220
S2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WLHC	99	36	80	99	13	94	105	42	40	102	224	81	361	119	185	1,680	208	634	395	394	227	1,368
S1	91	30	72	92	13	78	88	25	33	99	214	81	346	112	179	1,554	208	493	382	335	134	1,242
S2	15	12	17	15	0	33	33	33	13	6	19	0	29	15	12	252	0	141	13	59	94	126
EI Carers	43	8	44	75	4	53	83	17	15	65	86	27	175	36	35	767	72	322	189	109	162	602
S1	40	5	41	73	4	43	73	14	13	63	83	27	169	36	33	718	72	282	189	98	119	553
S2	4	6	6	4	0	19	21	6	4	4	6	0	13	0	4	98	0	40	0	11	43	49
EI 54+	36	20	49	44	7	84	99	44	50	34	63	46	139	90	44	849	85	340	157	329	181	728
S1	28	20	33	35	7	75	89	34	41	27	51	46	129	90	34	740	85	238	147	153	44	619
S2	17	0	31	19	0	19	19	19	19	15	25	0	19	0	19	219	0	101	11	176	137	109
LT BAME	0	0	1	3	0	1	2	0	0	0	3	0	3	51	0	65	15	15	22	8	8	40
S1	0	0	1	3	0	1	2	0	0	0	3	0	3	51	0	65	15	15	22	8	8	40
S2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Jobless Households	93	48	85	130	7	120	144	74	95	188	104	85	356	115	95	1,738	160	1,061	334	254	581	1,455
S1	83	35	68	118	7	83	110	41	57	171	87	75	314	90	74	1,414	160	594	314	206	219	1,132
S2	21	25	33	25	0	75	67	67	75	33	33	18	83	50	42	648	0	467	21	47	361	324
Total	415	167	408	534	49	506	609	251	302	586	748	368	1,680	720	563	7,905	880	3,355	1,773	1,566	1,434	6,415
S1	387	145	364	503	49	433	539	188	247	557	706	359	1,608	688	525	7,297	880	2,605	1,728	1,273	799	5,807
S2	56	44	88	63	0	146	140	125	110	58	83	18	144	65	77	1,216	0	750	44	293	635	608

¹² 2003: MID-TERM EVALUATION OF THE OBJECTIVE 1 PROGRAMME FOR WEST WALES AND THE VALLEYS FINAL REPORT Draft (for PMC): CRG Research Ltd. In association with Cardiff University Centre for Local and Regional Government Research & Welsh Economy Research Unit & Fitzpatrick Associates

¹³ 2022 WCVA Active Inclusion Fund Evaluation: UKRCS

- b. **Apply consistent funding** appropriate to the problem: targeting frameworks should establish a clear emphasis, but being NEET in East Wales for example may be as challenging as in West Wales so geographically differential funding arrangements including those for match funding may not be appropriate in achieving desired outcomes.
- c. **Adopt systemic approaches to fostering inter-organisational co-operation:** where needed, this should be coupled with effective data sharing and knowledge exchange both as a design consideration as well as an operational objective. This might extend to permitting and celebrating shared outcomes delivered by a collaboration of partners (which could be qualitative as well as quantitative). Staccato and uncoordinated interventions by multiple organisations are not a recipe for success.
- d. **Select and fund organisations** for their capability in relation to targets, localities and outcomes sought. Competitive systems have a place but need to be contextualized by defining the capabilities needed to achieve the desired outcome.
- e. **Build in flexibility in tackling complex problems:** one size fits all can inhibit results. ESIFs at their best avoided this problem.
- f. **Be consistent overtime with suitable project timescales:** tailoring to the nature of the challenge to be tackled e.g., employability initiatives often work to relatively short periods for interventions that can be incompatible with support needs. The concept of back bone projects that allowed continuity over successive funding periods is a good model.
- g. **Embed integral post project tracking:** what happened post funding is seldom known. This is a weakness of many funding programmes (not just those funded by the EU).
- h. **Establish and embed effective training, networking, and knowledge exchange:** this should include a cadre of best practice beneficiaries able and willing to share experience with other providers with the means to support learning, consider what works, and transfer best practice in delivering.
- i. **Publish and promote project / programme evaluations:** this will help to ensure that benefits accrue from learning.
- j. **The notion of Cross Cutting Themes (equalities, sustainability, and the alleviation of poverty in Fund terms) is valuable:** however, it needs the means to take an overview of collective impacts and results and share learning. Individual project level assessments are valuable but not necessarily sufficient to assess progress against strategic objectives.
- k. **Ensure that administrative systems are proportionate** to grant award levels: this should be a basic requirement.

- l. **The 3-SET model works** in capacity building and achieving an inclusive approach: It reaches those actors capable of contributing to key objectives including engaging smaller organisations with modest capacity but specialist capability to extend the reach and to deliver on core themes such as equalities.
- m. **Plan an exit strategy** based on securing future sustainability: again, this should be basic and built in.....“sustainability is precarious”¹⁴

Some Design Considerations

6.3. We also suggest that the design of funding arrangements should address the following:

6.4. **Balancing competition and co-operation:** competition in the right circumstances means selecting the best ‘offers’ against fund objectives, i.e., organisations that are most capable of delivering both in administrative and practical terms. However, ESIFs addressed some complex challenges such as long-term unemployment and economic inactivity that are often best tackled through co-operation so that individuals are supported through a process that can start with regularizing lifestyles, building confidence and self-belief through support to be employment ready, and then into work (and maybe support beyond achieving work).

6.5. Seldom is one institution suited to achieve all these things. So coordinated support between relevant organisations is an ideal, but that can be undermined if they are encouraged by the ‘system’ to compete. For example, it might be a voluntary sector organisation that initially helps orient people, and then eases them into suitable training with potential help from Job Centre Plus, whilst success in securing employment requires a relationship with employers who may be in the private, public, or voluntary sector.

6.6. **Balancing building self-sustaining capacity against a need for core funding:** many funding arrangements set time limits on the basis that they aim to support a one-off project or establish an arrangement that can then be self-supporting. The application of back bone projects through ESIFs that sustained activity across funding periods in recognition that a single funding period did not amount to ‘job done’, is a good model. In some cases, what were back bone projects have now established more self-sustaining business models. But in other funded activities, the cessation of ESIF funding is leading to a loss of capacity built over 20 years where the job is very definitely still not done – long term unemployment and economic inactivity in Wales being a good example.

“A more strategic approach was and is needed to the deployment of European Structural and Investment Funds and the UK alternative funding, including addressing wider issues of how to build social capital; and a civil society infrastructure.”

Director, Welsh Think Tank

¹⁴ Independent Evaluation of WCVA’s Making the Connections Project, 2012, WEFO – research conducted by Old Bell 3 Ltd evaluation.

Case Study: Creative Project Design to Weave Together Multiple Objectives: The AMMV Small Scale Renewable Energy Project

6.7. The aim of the AMMV Small Scale Renewable energy project is to make the communities of Aberfan, Mount Pleasant and Merthyr Vale – 3,800 people - an exemplary zero carbon community by providing a wide range of renewable energy products that reduce utility costs and carbon footprint. These communities grew to provide a workforce for the Merthyr Vale colliery in the late 19th century. The closure a century later brought wide scale deprivation and the community is still ranked in the twenty most deprived wards in Wales.

6.8. The overarching vision of the project is to see youth employment and apprenticeships created through the rapidly emerging renewable economy replace and revive those lost by the demise of coal.

6.9. The project was one of 8 selected to generate, use, and sell community energy in Wales. It received £1.2m of ERDF funds to use as match funding for community energy initiatives with the private, public, and voluntary sectors. With funding only fully coming online in 2022, it already generates 0.6MW of electricity, on its way to a new stretch target of 1.2MW, mainly through solar and batteries and EV charging, but with ambition to extend that scope. Project overheads have been reduced from 50% of grant to 22%, thus freeing more for direct community energy investment.

6.10. Many of the individual projects have been private sector matched funded, but demand is now increasing across all sectors. The projects provide lower cost energy to businesses and community groups, with and the aspiration to achieve cheap, renewable energy for the whole of their communities.

6.11. Like many community energy projects, AMMV has the characteristics of inspiring and voluntary leadership, flexibility, and persistence. The small group of founders struggled to get funding over nearly 3 years of pro bono effort, tackling barriers such as funding requirements that would have required them to provide money up front. They had help to prepare all the paperwork and lined up their ‘match’ partners only to run into Covid and find partners unable to continue. They flexed, and found new partners, and made things work.

6.12. The project takes a ‘whole system’ approach and has tried hard to complement energy infrastructure investments with skills training and development for local people. They have also linked their efforts to wider community initiatives including a hotel and bar, food growing, and land management. To date 16 jobs for local people have been created. This is set to rise as the project team continue the quest to acquire community assets, create enterprises through stewardship of local land, build Eco homes for their elders, and take ownership of their own hotel.

6.13. When they started, the project team may have appeared to some as lone voices in the wind. But as climate change continues to threaten, and as the effects of the energy crisis intensify the cost of living for individuals and the cost of doing business for entrepreneurs and employers, they are now seen as the people who have long understood just what needed to be done.

Annex 1: European Structural and Investment Fund Objectives

1. Some key aspects of European Structural and Investment Funds Objectives in Wales across the three funding periods are summarized below.

- a. **In 2000 – 2006** Objective 1 in Wales sought to boost per capita GDP in West Wales and the Valleys, help to create new jobs, and reduce economic inactivity through seven priorities for funding to:
 - i. Expand and develop the Small and Medium Sized Enterprise base and foster business development.
 - ii. Develop innovation and the knowledge-based economy
 - iii. Foster community regeneration in poorest communities.
 - iv. Develop people and skills.
 - v. Support rural development and the sustainable use of natural resources.
 - vi. Support infrastructure investment.
 - vii. Fund Technical Assistance to support the efficient and compliant management and implementation of Funds and in practice help organisations in navigating the 'system'. **Please note:** technical assistance was funded across all three funding periods.

Each priority was further divided into a series of more specific measures.

- b. **2007 – 2013 Programmes** sustained much of the previous programme content in terms of objectives to support economic prosperity and promote employment by:
 - i. Fostering research, development and innovation by building business capacity.
 - ii. Funding infrastructure linked particularly to regeneration, telecommunications, environment, energy and transport.
 - iii. Financing repayable and non-repayable grants to support jobs and growth
 - iv. Helping employers and employees adapt to changing economic demands through training schemes.
 - v. Improving access to job opportunities, particularly for the long term unemployed and those furthest from the labour market.

- vi. Encouraging lifelong learning, innovation in the workplace and equal opportunities for all.
- c. **2014 – 2020:** In West Wales & the Valleys priorities were expressed in terms of fostering:
 - i. Research & Innovation and with technology transfer.
 - ii. Small and Medium Sized Enterprise competitiveness through new start-ups, business growth and modernization, and tackling market failures in finance.
 - iii. Renewable Energy & Energy Efficiency.
 - iv. Connectivity and Urban to address peripherality, improve labour mobility and create jobs by investing in local or regional strategies
 - v. Employability for those at risk of poverty and reducing economic inactivity and unemployment for those with barriers to labour market engagement.
 - vi. Improving skills for those with no or low skills, increasing technical skills and graduate engagement in research and development, and to improve the position of women in the workforce.
 - vii. Support those Not in Employment, Education or Training (NEET) and those at risk of becoming NEET and increase Science, Technology, Engineering and Mathematics (STEM) subject performance in the young and to upskill early years Childcare workforce.
 - viii. Public Service improvement through regional working.
- d. East Wales priorities broadly reflected those for West Wales and the Valleys but reflected the generally healthier economic conditions of the area covered.