

**REPLACEMENT OF EU STRUCTURAL FUNDS POST EU EXIT – THEMATIC GROUPS
MONITORING & EVALUATION – PAPER FOR STEERING GROUP AGREEMENT**

Drafting and Changes

Name	Date	Comment
Fiona Loynd	19/08	Drafted outline
Fiona Loynd	24/08	Incorporated notes from Group members.
Cornilius Chikwama / Fiona Loynd	02/09	Incorporated discussion from 28/08 and reformatted.
Fiona Loynd	07/09	Updated with reference to City & Region Deals, Appraisal, Additionality, and Recommendations

Status of the Paper

Purpose	The Monitoring and Evaluation Thematic Group has been tasked with developing approaches to monitoring and evaluating future funding arrangements to replace the current ESIF.
Audience	The paper is intended for discussion and agreement by the thematic groups, who will refine it before it goes to the Steering Group and then to Ministers.
Ministerial	The paper will be used to inform Ministerial advice and will be part of a longer paper, setting out the recommendations from all the thematic groups
Steering Group	The final Paper will be submitted for consideration and agreement by the Steering Group on 9 September 2020.
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Annex Contents	A: Key Points from Consultation Responses B: Frameworks, Additionality & Attribution C: Wellbeing Economy Monitor

Timetable

Action	Dates
First draft of paper	12/8 – 19/8
Discussion and redrafts	19/8 – 30/8
Final Paper	Start September
Discussion at Steering Group	9/9
Redrafts and Changes	9/9 – 14/9
Submission to Ministers	15/9

1. Purpose

The Monitoring and Evaluation Thematic Group has been tasked with developing approaches to monitoring and evaluating the future funding arrangements to replace the current ESIF. The nature of such future funding arrangements, in terms of scale, specific focus and intervention, are currently unknown and will depend on the UK Government conclusions on approaches for the UK Shared Prosperity Fund (UKSPF).

Against this background, it has been proposed that the Group focuses on developing principles that will shape development of a monitoring and evaluation strategy and plans when a fuller understanding of future funding arrangements is known. These principles will form a package of policy proposals to Scottish Ministers on preferred priorities and approaches to the replacement of ESIF in Scotland.

The Group has not focused on the specifics on who will undertake what. Until further decisions are made in terms of policy alignment and governance such functions cannot be determined.

2. Scottish Fund – Key Aim

The main aim of the Fund will be to address and reduce economic and social disparities within and between places and people in Scotland. It will focus on promoting place-based economic development and cohesion, helping communities across Scotland to improve key economic, social and wellbeing performance indicators.

The fund will support local responses to economic and social challenges, empowering communities across the country to respond to issues which impede their development.

As such it will support the Scottish Government's policy aims set out in the Programme for Government¹ and will complement the actions published in the Scottish Government's Economic Recovery Implementation Plan², in particular those aimed at developing resilient people, communities and places.

3. Statement of Scope

There are three main aims for the M&E strategy:

1. For policy purposes and agreeing how aims/objectives should be both measured and met;
2. To assess whether target outcomes are being achieved and to provide an understanding of the extent to which value for money assessed at the project appraisal stage is realised³;
3. For audit purposes and determining how value for money should be safeguarded.

4. Developing Approaches to Monitoring & Evaluating

Monitoring and evaluation are generally used to assess the performance of projects and programmes. Broadly, they can be used to improve current and future management of outputs, outcomes and impact or to communicate results of interventions.

While the ESIF Programmes had a predominately economic and social focus, the Scottish Government approach to a wellbeing economy is placing a more equal weighting against all outcomes contributing to wellbeing – economy, social and environment. The approach to M&E will need to reflect Scottish Government's focus on wellbeing when deciding on results to monitor and evaluate.

¹ [Programme for Government](#)

² [Economic Recovery Implementation plan](#) - Section 2.4

³ [The Green Book](#)

4..1 Governance Arrangements:

The consultation responses showed very strong support for governance arrangements to be based on a principle of subsidiarity. In other words, where possible, the design of interventions and delivery of funding for the ESIF replacement should take place at local levels. The principle guiding the approach to monitoring and evaluation should therefore align with the principle of subsidiarity. See for instance the Scottish Inclusive Growth Dashboard⁴.

The M&E strategy should be developed and owned jointly with partners delivering the ESIF replacement. While SG will have responsibility to coordinate the delivery of the M&E strategy, all delivery partners at different stages will need to provide data and contribute towards generating evidence to meet M&E objectives. It is important therefore to ensure that the development of M&E is done in parallel with the design of delivery arrangements for the replacement funding Programme in order that all partners have a clear understanding of requirements for M&E, and their roles in delivering the strategy.

Given the likely partnership arrangement for future delivery it was considered prudent to reflect on the pilot structure designed for Scotland's City and Region Growth Deals, a Benefits Realisation Plan⁵. The City and Region Growth Deals are delivering across a range of audiences and specified reporting protocols. From the general public to key components of the Deal Governance structure, the focus on outcomes will be upon how the Deal is performing against delivery plans and overall inclusive growth objectives. Assuming such outcomes are manifest, it will be essential to determine what economic, social and other beneficial impacts may be generated as a result within the City Region, Scotland and elsewhere in the UK.

In addressing these issues and shaping this Plan, all of the Deal Partners have agreed to a set of reporting principles. These include:

- adherence to the overarching principles of Government best practice in project and programme delivery;
- selecting monitoring and evaluation approaches that best measure progress in meeting the inclusive growth objectives and impacts associated with the Deal; and,
- going forward, continually updating this Plan and using any other new measures that will help assess and support the better management of Deal activities and impacts.

Each deal is implemented by regional partners and overseen by the relevant Delivery Board. Each project approved by the Joint Committee will be 'subject to review and evaluation' with an overarching approach to reviewing and evaluating benefits as set out in a Benefits Realisation Plan which is focused on delivery against plans and project business cases, overall objectives. The economic and social impacts generated as a result (across region, devolved administration and overall UK) are also reviewed.

Guided by the consultation responses (Annex A provides a summary of key points from the consultation) it is proposed that the monitoring and evaluation of future funding arrangements will be guided by the following principles.

4..2 Links to the National Performance Framework:

One of the findings from the consultation is that "measures of success should align to the National Performance Framework". The National Performance Framework provides outcomes that all of Scotland's public sector is working towards, along with a set of indicators for reporting progress. This principle should provide guidance on how to make links between the monitoring and evaluation plans and NPF.

⁴ <http://www.inclusivegrowth.scot/wp-content/uploads/2018/06/inclusive-growth-diagnostic-dashboard.pdf>

⁵ To note: approval has just been obtained for a pilot BRP for the Edinburgh & South East Scotland City Region Deal; following successful conclusion of the pilot it is planned that this will be extended for all other Deals in Scotland.

The Scottish Government has developed a Wellbeing Economy Monitor⁶, based on the National Performance Framework and building on the work undertaken on the inclusive growth outcomes, to develop a framework that assesses performance at a national and local/ regional level of the wellbeing economy in Scotland. The outcomes that underpin this are: productivity, population, participation, people, place and sustainability. This should be used as an overarching framework, rather than a prescriptive list of indicators that projects must influence.

4.3 Alignment with EU Cohesion Policy:

In the 2014-2020 Programme the European Commission introduced a change to the focus from expenditure to performance, i.e. the achievement of outputs and results. In order to achieve this change of focus, Member States were encouraged to move from actual expenditure cost models to simplified unit costs for delivering an output. This approach was fully supported by DG Employ (ESF) .

DG Regio (ERDF), however, was more reluctant to adopt simplified cost options at the start of the Programme but over the Programme's lifetime has changed as it became apparent that this approach allowed Member States to focus on the output rather than the audit trail.

Simplified Cost Options have a key role in this process as they help establish the clear link between payment to the delivery of outputs and results as well as a number of identified benefits to this approach:

- Focus the funding on achieving results;
- Reduce the administrative burden for beneficiaries and national authorities;
- Lower risk in implementation and audit requirements;
- Reduce error rates;
- Speed up the reimbursement to beneficiaries; and
- Speed up certification to the Commission.

In reviewing the proposals for the new EU Programmes there is a greater emphasis on utilising Simplified Cost Options to reduce the administrative burden for all concerned. This approach is based on the Member State fully adopting e-Cohesion, as outlined in Article 122(3)⁷ of the current Common Provisions Regulation, i.e. the electronic exchange of information between beneficiaries of Cohesion policy programmes and programme authorities during the 2014-2020 programming period and the availability of documents and information on operations, expenditure and outputs/results.

5. Developing Principles to shape the development of a M&E strategy and plans

In developing principles which will shape the development of a monitoring and evaluation strategy for the Shared Prosperity Fund, it should:

- provide clarity on the purpose for monitoring and evaluating the ESIF replacement funding;
- give clear guidance on the type of evaluation and monitoring that will apply to ESIF replacement funding; and
- provide guidance on the focus across the various outcome areas and be attached to SMART objectives from the outset. It is proposed that these objectives be linked to policy outcomes (e.g. a reduction in the number of children living in poverty in region x) rather than the audit of outputs and expenditure (e.g. evidencing how £x has been spent).

⁶ To add link once sourced.

⁷ <https://www.legislation.gov.uk/eur/2013/1303/article/122>

5..1 Policy Purposes:

The Scottish Government's 2020 Programme for Government notes the following commitment on replacement funding: *"We will work quickly to establish a Scottish Programme that will be focussed on promoting place-based economic development and cohesion, helping communities across Scotland to improve key economic, social and wellbeing performance indicators."*

The approach to M&E will need to reflect Scottish Government's focus on economic, social and wellbeing performance when deciding on results to monitor and evaluate.

5..2 Appraisal:

If appraisal is considered to represent the assessment of an intervention (or programme of interventions) before resources have been committed and includes as assessment of the additionality of the anticipated benefits, proportionality should be considered. In each case, financial distribution will be compared with the level of intervention being considered, with lower funding amounts requiring lower justifications.

It is important that interventions are justified in a wider strategic context in terms of:

- There being a sound rationale for the public sector to intervene; and
- These interventions then contributing to the relevant Scottish policy context.

There are several layers in appraisal which will require consideration: prior to approval, alignment with regional/national priorities, monitoring during delivery, and evaluation upon completion. Further, this may be influenced depending on the value of the funding allocation.

The mandate for subsidiarity in the delivery of the replacement funding will necessitate an element of tiered management. As such, consideration needs to be given to the level and detail of proposed appraisal approaches to be considered. The appraisal mechanism must be consistent with the overall principles of the Fund and in line with and accountable to the principles for funding and allocation.

Following the Steering Group's approval of the four thematic papers and subsequent amalgamation for Ministerial approval, it is proposed that a separate Appraisal Group be convened to discuss appraisal more fully within the context of Fund delivery.

5..3 Audit and Evaluation:

When evaluating operations and operational outcomes, due cognisance is required to all relevant public sector financial, monitoring and evaluation guidance such as the SPFM, Green Book and Consolidated Budgeting Guidance. It is essential that when evaluating outcomes that alignment to the agreed governance framework is achieved, assessing 'programme delivery while ensuring the proper handling and reporting of public funds. The governance framework must strike a balance between emphasising the need for regularity, propriety and value for money as key tenets in delivering a successful programme, whilst also being proportionate to the public funds at risk.'

Responsible Officers (Chief Executive/Chief Financial Officer, etc.) must evidence and sign off reporting mechanisms on the delivery of outcomes, ensuring agreed SMART objectives for assessment and review by the Scottish Government, acting in an independent monitoring and evaluation function.

All monitoring and evaluation frameworks will be developed to align with the expected performance of public services, as outlined by HMT, the standards of all public services is for 'honesty, impartiality, openness, accuracy, fairness, integrity, transparency, objectivity and reliability, carried out in the spirit of, as well as to the letter of the law, in the public interest, to high ethical standards, and achieving value for money.'

On agreement of the delivery methodology of the replacement fund a detailed evaluation framework incorporating all of these key principles will be outlined to align with the approved delivery mechanisms.

5..4 Monitoring and Evaluation Frameworks

M&E frameworks are generally used to assess the performance of projects and programmes. Broadly, they can be used to improve current and future management of outputs, outcomes and impact or to communicate results of interventions. The principle should provide clarity on purpose for monitoring and evaluating the ESIF replacement funding.

It will be important to clearly set out the objectives of the Fund – if this isn't done at the start then it becomes difficult to know what to monitor and the danger is that the key things aren't monitored and time and effort is spent collecting data on things that are of peripheral or no importance.

The development of a monitoring and evaluation framework as part of the process of project will help to:

- Explain what the support is trying to achieve in terms of economic impacts, benefits for business, etc.
- Articulate fit with the business plan and strategic objectives such as the National Performance Framework
- Think about the activities to deliver and the resources required in order to achieve the selected objectives
- Develop a logic model, explaining how the resources requested and activities to be delivered by the project, are expected to lead to outputs, outcomes, and impacts that align with our objectives.
- Develop SMART objectives for assessing performance
- Identify key measures to track performance and identify how data will be captured, who will be responsible for collating and analysing it, and when/how frequently the data will be collected (taking into consideration what's feasible to collect within the project resources)
- Planning for review and evaluation

5..5 Additionality:

One of the guiding principles of EU support has been that of additionality whereby support from the EU should not crowd out national expenditure on the same investment priorities. Responses to the consultation strongly petitioned for this principle to be retained, going forward.

In order to be considered within a M&E context, the additionality of any support must be considered at the outset, during appraisal. This should determine existing provision including benchmark data. The data collected at the outset and throughout the lifetime of support will inform subsequent interim reviews and evaluation.

There are three identified styles of additionality: scale, time and quality all of which require considered alongside the monitoring and evaluation plans for the new Programme and allocation constraints.

- Scale additionality is evidenced where support means that an organisation carries out relevant projects that are of a different scale to what it would have been without support, and this has had a positive influence on the scale of impacts. This is how the concept of additionality was considered in previous ESIF Programmes.
- Time additionality means that impacts are achieved earlier than would otherwise have been the case.

- Quality additionality means that a project is of a better quality than it would otherwise have been, resulting in larger impacts than would otherwise have accrued

These types of additionality are not mutually exclusive: one, or any combination of the three, may be observed in supported projects and may be described quantitatively or qualitatively.

5..6 Attribution:

There will be other policies contributing to the same outcomes that the ESIF replacement fund will be seeking to achieve. The monitoring and evaluation should focus on the results that can be attributed to the ESIF replacement fund. This way the evaluation will be able to demonstrate the added value (i.e. additionality) of the fund. This may require developing a logic model to understand how the replacement fund adds to the baseline of interventions contributing to the National Performance Framework.

5..7 Other Principles/ Considerations:

The Group may wish to identify and develop other principles to guide development of the monitoring and evaluation strategy and plans. This could include the consideration that M&E be proportionate to the activity supported as well as it's scale and risk.

6. Risks and Challenges

6..1 Monitoring or Financial Management?

Currently the burden of regulation and reporting is slanted towards the prevention of fraud and avoidance of risk rather than based on achieving outcomes.

6..2 Outcome Focus

A clear message came from the consultation that the replacement fund should be aligned with the core principles, aims and objectives be broadly similar to previous ESIF programmes, expanded to include wider social objectives. It was also stressed that Scottish policy priorities are considered to be the primary driver more so than those of the UK or EU and measures of success should align to the Scotland's National Performance Framework⁸.

A greater focus on outcomes, rather than outputs, was generally considered to be a core component of evaluating the success of the fund, which aligns with the NPF which is directed by outcomes. Indicators and monitoring can be national or local but a key point is that the data collection methods and evidence base is developed jointly with thematic experts/existing delivery agents to ensure relevant and measurability.

6..3 Timing:

Evaluating the success of the fund against short, medium and longer-term results or outcomes, defined at a national level (but regionally specific/responsive), was also considered essential.

The timescale of when monitoring and evaluation activities are undertaken should also be considered. Early monitoring identifies any problems which can be resolved before implementation is fully under way.

6..4 UK Role:

As yet we are unclear of the UKG role, if any, in the delivery of this Fund. There is a risk they will dictate the M&E requirements and expect a larger role in both delivery and evaluation than Scottish Government anticipates.

⁸ [National Performance Framework](#)

6..5 Conditionality:

Consideration should also be given to the conditionality of payment, in other words the relationship between expenditure, activity and achievement of outcomes and whether payment should be linked to achievement in full, part, or otherwise.

7. Interdependencies

Respondents to the consultation suggested that, where possible, the Scottish Government should link and align the new Fund to the evaluation approach for the National Performance Framework which could have the added benefits of:

- Reducing the need for a different set of indicators or an additional monitoring and evaluation framework to be put in place
- Minimising duplication of effort
- Ensuring that a strong emphasis for the Fund is directed at closing gaps in performance within Scotland.

The concept of Horizontal Themes in previous ESIF Programmes was considered to have been useful, e.g. in terms of mainstreaming associated policies in Scotland. Going forward, it was proposed that Environment, Equality, and Human Rights could be horizontal themes within the new funding programme, taking account of climate change and the Just Transition to low carbon, as well as social inclusion.

On the assumption that UKG will want at least a role of overseeing we must be minded to consider what monitoring activities they may expect/require and build these in to our proposals.

8. Recommendations

- Set up an Appraisal Group to consider how the appraisal process will work within a tiered management system of delivery.
- Consider the Benefits Realisations Plan concept, as designed for Scotland's City and Region Growth Deals, and how this might be adapted for use by a similar partnership delivery structure in the assessment of financial support provided through the UKSPF.

**Future Funding
September 2020**

Monitoring and Evaluation – Key Points from Consultation Responses:

It was considered essential that the approach to monitoring and evaluation was developed in parallel to the design of the new fund, and provided evidence of success, effectiveness and impact. A collaborative/co-design approach to its development was encouraged.

Strong support for the use of logic models, and for the use of a broader range of quantitative and qualitative measures to evaluate the impact of the new fund. Economic measures were considered important, but not sufficient, and there were calls for a wider range of social and environmental measures relating to areas such as wellbeing, carbon reduction, income inequality, community capacity building and health/mental health.

Measures of success should align to the National Performance Framework. All outcomes could be relevant, but where priorities were identified, the main outcomes were Economy, Economy, Fair Work & Business, Communities, Environment, and Poverty, and Education.

Monitoring and evaluation should be simplified and proportionate. Processes and systems should avoid complexity and bureaucracy (compared to the current ESIF programme), and should make use of existing systems of data collection and reporting, where possible.

In terms of evaluation more generally, there was support for ongoing monitoring and evaluation to identify lessons learned and to improve project delivery during the life of the Fund (i.e. process evaluation), for the meaningful involvement of communities and beneficiaries in the evaluation process to better understand impact and the difference made (i.e. outcome evaluation), and for evaluations to include both quantitative and qualitative approaches to assess additionality/added value.

Lessons on the Audit and Monitoring from Previous ESIF Programmes:

2014 – 2020:

To address audit concerns in respect of the previous 2007 – 2013 ESIF Programmes there were significant audit requirements placed on this Programme. Random samples of both expenditure and activity are undertaken by the Growth Team in respect of every claim submitted together with detailed procurement checks on contracts. Subsequent similar random checks are undertaken by the Programme Performance Team on a regular basis. Failure to achieve less than 100% warrants further checks.

The Evaluation and Monitoring strategy has been developed to ensure a robust monitoring and evaluation of 2014-2020 Programme against key EU 2020 targets. These targets have been developed around the key themes of Smart, Sustainable and Inclusive Growth, which, collectively will increase economic activity and employment across all Member States.

The Managing Authority has completed four evaluations to date.

Lessons learned:

- (i) Lack of full appreciation of changes to both guidance and eligibility rules against previous Programmes by project sponsors has resulted in a lack of retention of necessary evidence and subsequent impacts on payment of grant monies.
- (ii) Ongoing amendments to rules and guidance has resulted in confusion within programme stakeholders.
- (iii) Concern about falling foul of audit rules by the Managing Authority has resulted in an environment of never ending checks which are unsustainable and have caused potential applicants to recede. Going forward audit requirements need to be sustainable and more proportionate to the values and activity involved.

Pre 2014:

Two regional Programmes were delivered across Scotland by their own Partnership Programmes (HIPP and ESEP). Despite having their own regional Management Committees they shared the monitoring and evaluation requirements from an EU perspective. Supported projects were subjected to a random 10% expenditure check ahead of payment of a claim in addition to ad hoc onsite checks on project delivery and expenditure. A further final expenditure and procurement check was undertaken prior to final grant payment.

With regards Evaluation there were two programmed in – ex ante and ex post which were commissioned by the Partnership Programme themselves.

Lessons learned:

- (i) The 10% random check prior to payment of claims ensured the support of minimal ineligible costs.
- (ii) Monitoring was irrespective of quantum or type of project. May have been beneficial to have some proportionate checks given range of project approvals.

DRAFT - Wellbeing Economy Monitor

IG outcome	Productivity		Population	Participation		People	Place	Sustainability
International Benchmarking (key themes captured at all levels)	1. Growth 2. Productivity 3. Exporting 4. R&D 5. Entrepreneurialism		6. Dependency ratio 7. Migration	8. Economic activity 9. Employment 10. Unemployment 11. Gender pay gap 12. Skills 13. NEET 14. Employee Voice		15. Life expectancy	16. Broadband	Greenhouse Gas Emissions
Scotland performance (NPF Indicator)	<ul style="list-style-type: none"> Productivity International exporting Economic growth R&D Entrepreneurial activity Scotland's reputation Number of businesses High growth businesses Innovative businesses 		No NPF indicators currently developed IG indicators: <ul style="list-style-type: none"> Dependency ratio Migration Working-age population forecasts 	<ul style="list-style-type: none"> Participation Living wage Gender pay gap Employee voice Work place learning Young people's participation Skill shortage vacancies 		<ul style="list-style-type: none"> Income inequality Relative poverty after housing costs Healthy life expectancy Mental wellbeing 	<ul style="list-style-type: none"> Quality of public services Access to superfast broadband 	<ul style="list-style-type: none"> Carbon footprint Natural Capital Greenhouse gas emissions Access to green and blue space
Regional	<ul style="list-style-type: none"> Output per head Growth R&D Number of businesses Exports 		<ul style="list-style-type: none"> Net migration Dependency ratio Working age population forecasts 	<ul style="list-style-type: none"> Job density Economic activity Earnings Living Wage Public sector employment Gender pay gap Underemployment In-work training 		<ul style="list-style-type: none"> Degree qualification Positive destinations Life expectancy Child poverty Workless households 	<ul style="list-style-type: none"> High-speed broadband SIMD access deprivation Fuel poverty Satisfaction with public services 	<ul style="list-style-type: none"> Carbon emissions Access to green and blue space
Equalities Dashboard	Age	Disability	Ethnicity	Gender	Religion	Sexual Orientation	Socio-economic status	Transgender