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**COMMISSION STAFF WORKING PAPER**

**Impact Assessment**

*Accompanying the document*

**Proposal for a  
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the European Social Fund and repealing Regulation (EC) No 1081/2006**

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This Impact Assessment report commits only the Commission's services involved in its preparation and the text is prepared as a basis for comments and does not prejudge the final form of any decision to be taken by the Commission.

## Table of contents

1.	Procedural issues and consultation of interested parties .....	1
1.1.	The instruments under discussion .....	1
1.2.	Organisation and timing of preparatory work .....	3
1.3.	Consultation and expertise .....	3
1.3.1.	The ESF .....	3
1.3.2.	The EGF .....	4
1.3.3.	The direct management instruments .....	4
1.4.	Main results of public consultation .....	5
1.4.1.	Main results of the public consultation on the ESF .....	5
1.4.2.	Main results of the public consultation on the EGF .....	6
1.4.3.	Main results of the public consultation on the direct management instruments .....	6
2.	Problem definition .....	8
2.1.	Description of the problem .....	8
2.2.	Lessons from ESF implementation .....	10
2.2.1.	Effects .....	10
2.2.2.	Practical implementation .....	14
2.3.	Lessons from EGF implementation .....	18
2.3.1.	Effects .....	18
2.3.2.	Practical implementation .....	19
2.4.	Lessons from the direct management instruments .....	20
2.4.1.	PROGRESS .....	20
2.4.2.	EURES .....	22
2.4.3.	Progress Microfinance .....	24
2.5.	Who is affected, in what ways, and to what extent? .....	25
2.6.	How would the problem evolve, all things being equal? .....	26
2.7.	Does the EU have the right to act and is EU added-value evident .....	27
2.7.1.	The right to act for instruments under shared management .....	27
2.7.2.	The right to act for direct management instruments .....	27
2.7.3.	EU added value of the shared management instruments (ESF and EGF) .....	28
2.7.4.	EU added value of the instruments in direct management .....	30
3.	Objectives .....	31
3.1.	General objective .....	31
3.2.	Specific objectives .....	31
3.2.1.	ESF .....	32
3.2.2.	EGF .....	32
3.2.3.	The instruments under direct management .....	32
3.3.	Operational objectives .....	33
3.3.1.	ESF .....	33
3.3.2.	EGF .....	33
3.3.3.	The instruments under direct management .....	34
4.	Policy options .....	35
4.1.	The scope of the ESF .....	38
4.2.	Simplification of ESF implementation .....	41
4.3.	Relation between the EGF and the ESF .....	41
4.4.	Links between the ESF and the direct management instrument .....	42
4.5.	Options not analysed .....	43
4.5.1.	No-funding .....	43

4.5.1. Focussing ESF operational programmes.....	44
5. Analysis of impacts .....	45
5.1. The scope of the ESF .....	45
5.2. Simplification.....	48
5.3. Relation between the EGF and the ESF.....	49
5.4. Links between the ESF and the direct management instrument .....	51
6. Comparing the options .....	54
6.1. The scope of the ESF .....	55
6.2. Simplification.....	56
6.3. The EGF.....	57
6.4. Links between the ESF and the direct management instrument .....	57
7. Monitoring and evaluation .....	59
7.1. ESF.....	59
7.2. The EGF.....	61
7.3. The integrated programme for employment, social policy and inclusion (Social Development Agenda) .....	61
7.4. Tracking of climate-related expenditure .....	62

## **Annexes**

ANNEX 1. THE INSTRUMENTS UNDER DISCUSSION.....	i
ANNEX 2. CONSULTATIONS AND EXPERTISE.....	vi
ANNEX 3. GLOSSARY AND ABBREVIATIONS .....	viii
ANNEX 4. RESULTS OF EVALUATIONS .....	xii
ANNEX 5. SUMMARY OF STUDIES COMMISSIONED IN SUPPORT OF THE INITIATIVE.....	xxiv
ANNEX 6. SUMMARY OF OTHER RELEVANT STUDIES .....	xxxii
ANNEX 7. MULTI-CRITERIA DECISION ANALYSIS OF THE ESF SCOPE OPTIONS.....	xliv
ANNEX 8. PROPOSED COMPULSORY COMMON INDICATORS FOR ESF CO-FINANCED ACTIONS .....	xlvi

# Impact Assessment

## 1. Procedural issues and consultation of interested parties

This is the Impact Assessment of the financial instruments of the DG Employment, Social Affairs and Inclusion (DG EMPL), notably the European Social Fund (ESF), the European Globalisation Fund, the PROGRESS programme, EURES and the PROGRESS micro-finance facility.

The European Social Fund is one of three instruments supporting European Cohesion Policy together with the European Regional Development Fund (ERDF) and the Cohesion Fund (CF). In the context of simplification and harmonisation of rules, common implementation issues are to be covered by a General Regulation applicable to all three instruments and subject to a separate Impact Assessment. The issues covered are European added value, performance and delivery of the policy. In addition, two fund specific Impact Assessments cover issues specific to the ESF and to the ERDF/Cohesion Fund.

The ESF issues covered in this Impact Assessment regard the scope of the instrument as well as one specific aspect of the delivery, namely the mode of cost accounting. This Impact Assessment also discusses the articulation between the ESF and the other financial instruments available to the DG Employment, Social Affairs and Inclusion. More detailed ex-ante evaluations will accompany the Commission's proposal for a new integrated programme covering PROGRESS, EURES and the micro-finance facility, the Commission' proposal for the EGF regulation and each ESF operational programme. These instruments will not be the subject of separate Impact Assessments.

A number of other issues which are highly relevant to these financial have are not been covered in this Impact Assessment as they derive from other legal acts such as the financial regulation. One example is the eligibility or not of non-recoverable VAT which falls outside the scope of the ESF regulation and of the General Regulation<sup>1</sup>.

### 1.1. The instruments under discussion

Detailed information on five financial instruments covered by this Impact Assessment is provided in Annex 1. The instruments are:

- *The European Social Fund* (Budget 76 billion € for the programming period 2007-2013)

The European Social Fund (ESF), established by Article 162 of the Treaty, invests in employment, education, social inclusion and institutional capacity in the Member States. The ESF is part of cohesion policy (as are the ERDF and the CF). Following the June Budget<sup>2</sup> package the future ESF should focus on four thematic objectives. According to these

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<sup>1</sup> The ESF financial system is based on the reimbursement of expenditure made by the beneficiary. Non recoverable VAT has thus up to now been considered an eligible expenditure given that it is a real expenditure for the beneficiary. At the level of the ESF, the amounts discussed are low: for example non recoverable VAT represents less than 1% of the amounts of completed operations under the Danish Programme and 2% under the Finnish mainland programme (data on operations of the first years of the programme). However, given the characteristics of the ESF final beneficiaries and the size of the operation, the non eligibility of VAT might make the involvement of some actors mostly NGOs and civil society organisations impossible, disproportionately strongly affect operations in some areas notably social inclusion and fight against poverty.

<sup>2</sup> COM(2011)500 & SEC(2011)868

proposals, the ESF should benefit from at least 25% of the Cohesion Policy envelope, not counting the Connecting Europe Facility (e.g. € 84 billion). Three categories of regions are identified, less developed regions, more developed regions and a new category, transition regions situated in between the previous two in terms of GDP per capita. Cohesion policy resources will be concentrated as is currently the case on the less developed regions.

- The European Globalisation Fund (EGF) (Budget maximum 500 million € per year)

The EGF was established by Regulation (EC) No 1927/2006 and is based on Article 175 of the TFEU. It was set up in order to demonstrate solidarity at EU level and to provide one-off, time-limited tailor made support to large numbers of workers made redundant within a short period of time as a result of major structural changes in world trade patterns due to globalisation.

- The European Progress Micro-Finance Facility (Budget 100 million € for the period 2010 to 2013 with an additional contribution of 100 million € by the EIB).

The aims of the European Progress Microfinance Facility (Progress Microfinance)<sup>3</sup>, which was set up in 2010, are to make microfinance more readily available to persons who wish to start up or develop micro-enterprises, including with a view to self-employment. A Decision of the Council and the Parliament establishing a new integrated programme, as announced in the Commission Communication ‘A budget for Europe 2020’<sup>4</sup>, would provide for the continuation and extension of the actions carried out under the Decision No 283/2010/EU while ensuring sound financial appropriations until 2020.

- PROGRESS - The EU Programme for Employment and Social Solidarity (Budget 683.25 million € for the programming period 2007-2013)

Working alongside the European Social Fund, the PROGRESS programme<sup>5</sup> supports the development and coordination of EU employment and social policy. The programme helps the Commission to fulfil its tasks both in the fields of (a) law-making, to ensure that evidence-based legislation meets all the principles of Smart Regulation; and (b) policy-coordination among the Member States, where the Commission acts as facilitator and broker. The programme expires on the 31<sup>st</sup> December 2013. The Decision No 1672/2006 should therefore be replaced by a Decision establishing a new integrated programme.

- EURES (Budget 21.3 million € per year)

Set up in 1993<sup>6</sup>, EURES is a co-operation network between the European Commission and the Public Employment Services of the EEA Member States (The EU countries plus Norway, Iceland and Liechtenstein) and other partner organisations. Switzerland also takes part in EURES co-operation. The purpose of EURES is to provide information, advice and recruitment/ placement (job-matching) services for the benefit of workers and employers as well as for any citizen wishing to benefit from the principle of the free movement of persons. A Decision establishing a new integrated programme would on the one hand provide sound

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<sup>3</sup> Decision No 283/2010/EU of the European Parliament and of the Council of 25 March 2010 establishing a European Progress Microfinance Facility for employment and social inclusion.

<sup>4</sup> COM(2011) 500 of 29 June 2011.

<sup>5</sup> Decision No 1672/2006 of the European Parliament and of the Council of 24 October 2006 establishing a Community Programme for Employment and Social Solidarity — Progress.

<sup>6</sup> COM 2003/8/EC of 22 December 2002 based on regulation 1612 from 1968 codified 492/2011 from 5 April 2011

financial appropriations for the continuation of EURES horizontal activities under the MFF 2014-2020 and, on the other hand, would create a legal basis for the "Your first EURES Job" scheme currently carried out as a 3-year preparatory action.

## **1.2. Organisation and timing of preparatory work**

Work on the Impact Assessment of the legislative proposal for the ESF post 2013 began in April 2010 with the preparation of the roadmap followed in July 2010 with the creation of the Impact Assessment Inter Service Steering Group (IA ISSG)<sup>7</sup>. Work on the related Impact Assessments of the General Regulation and on the ERDF/CF regulation began in September 2010. The 5<sup>th</sup> Cohesion Report and its accompanying policy conclusions as well as the Budget Review from October and November 2010 constitute major general inputs to this work. Since its start the steering group met 5 times. The last meeting was on 20 July 2011.

The IA-Board discussed a draft version of this document at its meeting of 31 August 2011. In line with the recommendations of the Board, the problem definition was revised to facilitate the understanding of achievements of the ESF in the past, thereby also elaborating on the specificities of shared management, which allows on the one hand for solutions adapted to the specific situation of a region or Member State, but on the other hand requires high standards of cooperation and partnership between the Commission and Managing Authorities. This is particularly true in the area of focusing investments. The provisions made on the European level allow and encourage such concentration, but shared management will – irrespective of the scope of the ESF – not be able to compel concentration. Further clarification is also provided on the other instruments included in this Impact Assessment. This concerns the question to what extent the preferred EGF option will allow implementation to accelerate as well as more details on directly managed instruments and some more detail on the implementation of the direct management instrument. Nevertheless, given the already high complexity of this document a more comprehensive discussion of the implementation arrangements of the new instrument in direct management is left to the ex-ante-evaluation.<sup>8</sup>

Given the broad scope of the Impact Assessment, it was therefore not possible to stay within the usual page-limit of 30 pages.

## **1.3. Consultation and expertise**

### **1.3.1 The ESF**

Relevant input for the **ESF** parts of this IA are: the Budget Review; the 5th Cohesion Report; the results of evaluations notably the ex-post evaluations of 2000-2006 programmes<sup>9</sup>; results of the public consultation which were summed up in the 5th Progress Report on Economic and Social Cohesion adopted by the Commission in June 2008; results of the public consultation following the adoption of the 5<sup>th</sup> Cohesion Report in November 2010 and on a broad range of studies and expert advice<sup>10</sup>.

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<sup>7</sup> The following services attended at least one meeting of the ESF IA ISSG: AGRI, BEPA, BUDG, CLIMA, COMP, EAC, ECFIN, ENER, ENTR, ENV, HOME, INFOS, JUST, MARKT, REGIO, RTD, SANCO, SG and TRADE.

<sup>8</sup> REFERENCE TO Progress ex-ante-Evaluation....

<sup>9</sup> Ex-post evaluation reports are available at <http://ec.europa.eu/social/main.jsp?catId=701&langId=en>

<sup>10</sup> Annex 4 summarises the results of the main evaluations conducted and presents the main findings of studies commissioned specifically in support of this initiative. Annex 6 refers to published studies and reports particularly relevant for this initiative. A report summarizing a conference on the future of the ESF is available

In addition to the above, expert advice was also gained from permanent working contacts with Managing Authorities and with other stakeholders (for instance through the monitoring committees of the ESF programmes or the ESF Technical Working Group) to gain knowledge of their day-to-day difficulties and concerns as part of the implementation process. Between December 2010 and February 2011 focus groups with Member States experts met to discuss proportionality and simplification, financial engineering, the involvement of local actors and the logic of intervention and common indicators.

The ESF Committee itself issued opinions on the future of the ESF at its meetings of 3 June 2010 and of 10 March 2011<sup>11</sup>. The European Parliament adopted on 7 October 2010 resolutions on the future of the Cohesion Policy<sup>12</sup> and of the ESF<sup>13</sup>. The European Commission has also asked for exploratory opinions of the Economic and Social Committee (ECOSOC – adopted on 15 March 2011<sup>14</sup>) and the Committee of the Regions (COR- adopted on 30 March 2011<sup>15</sup>). Moreover both EMCO<sup>16</sup> and SPC<sup>17</sup> issued opinions.

### **1.3.2. The EGF**

Two stakeholder conferences<sup>18</sup> were organised to discuss the future of the EGF on 25 and 26 January 2011 and 8 March 2011.

A survey of Member States' experts and of European social partner organisations conducted between August 2010 and February 2011 provided additional evidence. Member States' experts met in Porto on 29 and 30 September 2010 and in Brussels on 9 March 2011.

The European Parliament adopted on 7 September 2010 a Resolution<sup>19</sup> on the functioning and the funding of the EGF.

### **1.3.3. The direct management instruments**

In the context of the review of the current PROGRESS programme, the Commission organised a two-step consultation:

1. A working group gathering the programme's key stakeholders representatives<sup>1</sup>
2. A public online consultation on a possible successor instrument to PROGRESS was carried out between 4 April and 27 May 2011<sup>20</sup>.

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at: [http://ec.europa.eu/employment\\_social/esf/docs/100907-conference-report-final\\_en.pdf](http://ec.europa.eu/employment_social/esf/docs/100907-conference-report-final_en.pdf). The results of the public consultation are accessible at: [http://ec.europa.eu/regional\\_policy/consultation/5cr/index\\_en.cfmN](http://ec.europa.eu/regional_policy/consultation/5cr/index_en.cfmN)

<sup>11</sup> <http://ec.europa.eu/esf/main.jsp?catId=445&langId=en>

<sup>12</sup> <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2010-0356&language=EN&ring=B7-2010-0539>

<sup>13</sup> <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0357+0+DOC+XML+V0//EN>

<sup>14</sup> <http://www.toad.eesc.europa.eu/AgendaDocuments.aspx?pmi=ha5jDW%2bOWSEKS2CtbtA2nl2VJruX4mnzBdsQyM7Dy60%3d>

<sup>15</sup> <http://www.cor.europa.eu/pages/PressTemplate.aspx?view=detail&id=b0a92bb4-7fbd-4cea-aade-1cf0a26429aa>

<sup>16</sup> <http://ec.europa.eu/social/main.jsp?catId=115&langId=en>

<sup>17</sup>

[http://www.europarl.europa.eu/meetdocs/2009\\_2014/documents/empl/dv/empl\\_spc\\_on\\_esf\\_/empl\\_spc\\_on\\_esf\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/empl/dv/empl_spc_on_esf_/empl_spc_on_esf_en.pdf)

<sup>18</sup> <http://ec.europa.eu/social/main.jsp?catId=326&langId=en&eventsId=320&furtherEvents=yes>

<sup>19</sup> <http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2010-0236&language=EN>

Furthermore, given that PROGRESS is implemented through a results-based management approach, the Commission regularly monitors the progress achieved towards expected results against clearly defined performance indicators.

Regarding the Microfinance Facility, relevant stakeholders were consulted, notably the European Microfinance Network (EMN), which represents the European microfinance sector.

Also the 2011 meetings of EURES Working Party and Heads of Public Employment Services (PES) held specific discussions on the future on EURES.

## **1.4. Main results of public consultation**

### **1.4.1. Main results of the public consultation on the ESF**

Several contributions on the public consultation following the 5<sup>th</sup> cohesion report refer explicitly to the ESF<sup>21</sup>. When expressing their views on the ESF, respondents generally highlighted the important contribution it makes in the current socio-economic circumstances and its direct link with the Europe 2020 objectives and wanted to maintain the current specific nature of the ESF in terms of its focus on employability, training and social inclusion. At the same time, most argued that the European Social Fund is an indispensable part of an integrated cohesion policy. Contributors largely welcomed greater coordination between the ESF and ERDF, although there were mixed views on a multi-fund approach and cross-financing. Respondents were generally in favour of keeping the same budget heading for the ESF and ERDF, with financial allocations being negotiated between the European Commission and Member States (as is currently the case). A small number called for separate budget headings for the ERDF and the ESF.

Fourteen **Member States** called for maintaining the same budget line for the ESF and ERDF at EU level and for continuing to decide on how it is allocated at national level. Furthermore, five called for greater coordination between the funds and for the possibilities of cross-financing across operational programmes and of opting for multi-fund programmes. These respondents would generally prefer to have one multi-fund operational programme for their entire territory.

**Regional and local authorities** often called for maintaining the specific role of the ESF within cohesion policy. In particular, they called for continued funding for education and professional training, social inclusion and, especially, the inclusion of vulnerable groups. The contributors were generally in favour of better coordination between the funds, allowing cross-financing of projects, while still maintaining the current budget structure.

**Social partners, non-governmental organisations and other stakeholders** mostly called for greater coordination between the two funds and asked to maintain the same budget heading for both. Many also shared similar views with other categories of respondents on the specific role of the ESF and requested concentration of the fund on both employment and social inclusion priorities, in line with the Europe 2020 objectives and the Integrated Guidelines.

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<sup>20</sup> The results of the public consultation (a summary report and individual responses) can be found at the following webpage:

<http://ec.europa.eu/social/main.jsp?catId=699&langId=en&consultId=6&visib=0&furtherConsult=yes>

<sup>21</sup> [http://ec.europa.eu/regional\\_policy/consultation/5cr/index\\_en.cfm](http://ec.europa.eu/regional_policy/consultation/5cr/index_en.cfm)

### **1.4.2. Main results of the public consultation on the EGF**

Discussions<sup>22</sup> on the EGF showed an overwhelming support for a rapid crisis intervention instrument in case of large scale redundancies. Nevertheless, the complexity of the procedure and the slowness of the current decision making process were severely criticised by all. Furthermore, the differences between the ESF and EGF were the subject of the discussions. Some participants highlighted that the demarcation between these two Funds is not sufficiently clear since both Funds co-finance similar measures. As a consequence, possible integration of the EGF into the ESF was proposed. Integrated funds could be implemented easier and faster as the ESF has well established structures and procedures.

However, other stakeholders objected to the possible merger of the Funds: the EGF would lose its flexibility and added value as an emergency instrument as the ESF measures are pre-programmed and cannot be shifted to deal easily with crisis situations caused by collective redundancies.

### **1.4.3. Main results of the public consultation on the direct management instruments**

Feedback from both the PROGRESS Key Stakeholder Working Group and the public consultation of PROGRESS revealed a high level of satisfaction with the programme. Key stakeholders, who include next to the Member State representatives also social partner organisations and civil society organisations, suggested continuing the programme with few improvements relating to:

- The dissemination of the PROGRESS outputs and results;
- A better mainstreaming of gender equality and anti-discrimination objectives;
- Further synergies with other EU financial instruments supporting the Inclusive Growth priority, in particular the European Social Fund.

None of 171 respondents to the public online consultation challenged the need for a successor instrument to PROGRESS. Respondents gave a number of reasons for their support:

- The financial crisis and its impact on social protection and equality perspectives underscore the need for enhanced coordination of employment and social policies across Europe. The successor to PROGRESS should help to establish consensus on the right policy approach on social problems through its support to the Open Method of Coordination.
- An EU financial instrument is an indispensable tool to enable transnational initiatives involving stakeholders on all levels. Activities such as mutual learning and collecting and comparing data from various Member States are seen to be vital to continue improving the formulation and implementation of policies at EU and national level. They are also seen as essential for improving understanding and ownership of EU objectives.

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<sup>22</sup><http://ec.europa.eu/social/main.jsp?langId=en&catId=326&eventsId=323&furtherEvents=yes>  
<http://ec.europa.eu/social/main.jsp?langId=en&catId=326&eventsId=320&furtherEvents=yes>

- The future EU financial instrument should have a clear focus on international cooperation and European level actions and thus bringing about stronger EU dimension and complementarity to the ESF.
- Many respondents (in particular public authorities) emphasise the importance of monitoring the application of EU legislation in the Member States and stress that this objective should remain a key priority for the successor programme.

Several respondents call for an integrated approach to combat unemployment, social exclusion and poverty. In particular, 79% consider that it is very relevant or relevant for the future instrument to support intra-EU mobility as well as self-employment and entrepreneurship as means to job creation.

A number of respondents praised activities under the current Progress programme that contributed to innovations in social policies and confirmed that there was a need for social innovations to combat the negative impacts of the financial crisis. They confirmed that very often government programs in the field of social policy suffered from a lack of robust evidence of what does and does not work. They suggested that the future instrument should support social innovation through transnational projects. Yet, identification and promotion of innovative approaches should be accompanied by a sustainable implementation strategy. In this context, several respondents indicated that where the successor instrument to PROGRESS could identify best practices, the implementation should be a matter for the ESF.

Regarding the geographical coverage, respondents from non-EU countries suggested that greater synergy between the new programme and the ESF could limit the possibility to participate for EEA/EFTA countries and candidate countries.

Given that Progress Microfinance has only become fully operational six months ago, no public consultation has been carried out for this instrument. Nevertheless, stakeholder organisations like the European Microfinance Network (EMN) have expressed their strong support for a continuation of funding for microfinance after 2013.

The stakeholders' survey within the independent EURES evaluation in 2009 revealed that the EURES Job Mobility Portal is appreciated by jobseekers, job changers and employers who clearly see the benefit in being able to access or post information on vacancies across Europe. The opportunity to upload CVs onto the Portal was considered the most useful service on the Job Mobility Portal. The EURES adviser network adds value to the services provided on the Job Mobility Portal. These two mechanisms complement and reinforce each other. Evidence from the jobseekers and job changers survey indicated that those jobseekers and job changers who applied for jobs and who received support from a EURES adviser were slightly more likely to get a job than those who simply used the Job Mobility Portal. It was indicated as well that EURES plays a role in individuals' job search activities; hence can be considered as having a role in minimising the costs of transitions between and into jobs.

The adequacy and appropriateness of the data provided on the Job Mobility Portal were however found questionable. While the views from managers and advisers vary and tended to be negative; employers, jobseekers and job changers were generally more positive about the available information.

## 2. Problem definition

### 2.1. Description of the problem

Europe's societies are confronted with multiple challenges stemming from increased global competition, the fast pace of technological progress, demographic trends, and climate change<sup>23</sup>. These challenges have been compounded by the recent economic and financial crisis, which has hit all Member States and regions in the EU, leading to record unemployment levels in some Member States, especially among the most vulnerable groups and the young.

Despite significant structural support to help the working population to adapt to a changing economic context, it is often not possible to avoid sudden shocks caused to the local, regional or national economy by the unforeseen closure of enterprises. Many Member States and regions face difficulties completing the transition to more competitive activities and there are still considerable disparities, in employment and social inclusion, levels of health and in the availability of and access to education.

Hence the need for the EU and its Member States and regions to equip themselves with policies to keep pace with these trends, to promote economic development and social cohesion, to help people adapt to changing circumstances, and to provide them the tools to harness the opportunities provided by European integration. It also pushes for a reassessment and eventual modernisation of the instruments already in place.

Health inequalities persist not only between the EU Member States, but also within EU Member States across different population groups<sup>24</sup>. This is particularly important in the context of the ageing population. Poor health entails high economic costs and needs to be addressed to ensure longer working lives, higher productivity, employment and sustainability of social protection systems.

As industry takes advantage of the economic opportunities provided by the transition to a low carbon economy and the growing importance of the knowledge economy, the need to ensure a skilled work force, especially in the construction sectors, technical professions, engineering and research, becomes more pressing. Furthermore the need for structural adjustment of carbon intensive industries creates demand for requalification and adaption of existing skill sets and working methods.

Moreover, it is also important to retain as many highly skilled workers as possible, and to attract the right skills for the expected increase in labour demands. In this context, the attractiveness of the research profession in Europe must be increased in order to provide a workforce qualified to cope with the grand challenges facing our societies.

European financial support can help to coordinate efforts and to develop and introduce active labour market policies, effective lifelong learning, instruments to promote labour mobility, and adequate social security systems. Action at European level is required, all the more so, as a lack of economic, territorial and social cohesion would hinder the Union's further development and undermine its legitimacy in the eyes of its citizens.

The crisis also highlighted close links and spill-over between EU-27 economies, especially in the euro area, which means reforms or the lack of them, in one country, affect the

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<sup>23</sup> COM(2010)2020

<sup>24</sup> Commission Communication 'Solidarity in health: reducing health inequalities in the EU', COM(2009) 567/4

performance of the others. Common action taken by the EU as a response to the crisis, particularly through the adoption of the European Economic Recovery Plan and common action to stabilise the banking system, proved to be effective, which means that coordinated actions at the EU level are more effective in addressing common challenges than individual actions of single Member States. To be cost-effective, reforms also need to be as far as possible based on evidence. In this context, social experimentation, as part of an innovation approach, can be a powerful tool to guide the reforms and policy adaptations needed to implement Europe 2020.

However, the development and dissemination of social innovation approach on a larger scale in the European Union is hampered by:

- insufficient knowledge of the needs of the sector: grass roots organisations, social enterprise and social entrepreneurship activities, public sector organisations;
- fragmentation of efforts and resources, lack of transparency and visibility, limited financial support and insufficient technical skills that can support organisations to develop and deliver social innovations;
- poor diffusion, and little scale-up of good practices;
- poor methods of impact evaluation of actions and policies<sup>25</sup>.

A lack of adequate evidence also complicates policy co-ordination at EU level despite the presence and acknowledgement of common goals. Importantly, ensuring such adequacy requires not only generation of new information (such as comparable statistics, sufficient analytical knowledge), but also effective sharing of existing one (such as available good practices) through mutual learning processes such as periodic monitoring, evaluation and peer review. To fully use such evidence stakeholders should reach a common understanding of the meaning of essential elements of the status quo. This is a prerequisite for the elaboration of consensual policy solutions. Therefore good policy making requires an active involvement of all relevant stakeholders throughout the policy process.

In order to ensure equal protection of European citizens in the workplace, particularly in sectors considered to be at risk and for categories of workers who are most vulnerable (young people, workers on fixed-term contracts, low-skilled workers, migrants, etc.), the implementation of EU legislation has to be strengthened. The Commission, as the guardian of the Treaties, has to ensure that the EU directives are transposed and implemented correctly, and assist Member States in doing this. Such problems arise primarily as a result of national administrations hesitating to invest themselves in the EU's decisions, which imply changes in specific approaches such as guaranteeing administrative capacity, screening domestic rules and procedures, a systematic discussion between relevant authorities across the EU, *ex-post* evaluations, the identification and spread of best practices, as well as extension of training programmes for judges and public administrations. To address these challenges, a cultural change is required, which includes a shift from increasing new EU law to an emphasis on effective application<sup>26</sup>.

The preparations for the next MFF provide an opportunity to fully align the current set of instruments to the Europe 2020 objectives in order to deliver on specific priorities and initiatives, ensure complementarity and synergies, and simplify and mainstream activities in

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<sup>25</sup> See BEPA, 'Empowering people, driving change: Social innovation in the European Union', 2010; OECD, 'Fostering innovation to address social challenges', 2011.

<sup>26</sup> European Economic and Social Committee. *Opinion of the European Economic and Social Committee on How to improve the implementation and enforcement of EU legislation*, 28 September 2005.

order to maximise the impact of the funding. This includes also the question of how best to coordinate the financial instruments at the disposal of the European Commission.

## **2.2. Lessons from ESF implementation**

### **2.2.1 Effects**

The policy objectives for the ESF are defined in the Treaty (article 162) and in the fund regulations. They are however set in broad political terms such as supporting European policy objectives of economic and social cohesion and the European Employment Strategy (EES).

Moreover, the ex post evaluations of the 2000-2006 programming period have shown some weaknesses in the ESF monitoring and evaluation systems and also that at the level of Operational Programmes objectives and targets are not always easily identifiable. These result in difficulties to aggregate information at EU level and to assess longer term effects of ESF interventions on the individual participants and on Member States' economies and systems at large. It is only with the 2007-2013 programming period that a minimum set of common output indicators related to participants characteristics have been introduced.

Preliminary results for 2010 show that the ESF has reached over 15 million participants. Over a quarter are young people less than 25 years in age<sup>27</sup>. However, data quality remains uneven, data collection methods vary greatly among MS, and no information is provided about intensity of support to individuals.

These factors and the sheer diversity of ESF programming in the Member States and regions as well as the context sensitivity of social policy make it difficult to provide general statements. Yet evaluations and academic research do offer some insights on outcomes and effects of ESF.

*The ESF contributes to social and territorial cohesion by driving innovation in labour activation, education and social policies in the Member States.*

The ESF is an essential instrument to implement and disseminate concepts and reforms linked to the EES<sup>28</sup>. ESF interventions in systems and structures considerably supported the European Employment Strategy goals and facilitated policy convergence at European level<sup>29</sup>. Focusing on European policy objectives means that even in richer Member States or regions, a relatively small amount of ESF funding can trigger significant changes in the areas of employment policy<sup>30</sup>, education and lifelong learning<sup>31</sup>. Also horizontal aspects such as the systematic attention paid to innovation, networking, transnationality, sustainability and equal

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<sup>27</sup> Source: SFC 2007. See also: <http://ec.europa.eu/esf/main.jsp?catId=66&langId=en>

<sup>28</sup> Reports of the ESF ex-post evaluation (2011) and of the Evaluation of the ESF contribution to the European Employment Strategy (2010)

<sup>29</sup> Report of the ex-post evaluation of the "Impact on the functioning of the labour market and on the investment in human capital infrastructure through support to systems and structures".

<sup>30</sup> Verschraegen, G.; B. Vanhercke and R. Verpoorten, 2010. The European Social Fund and domestic activation policies: Europeanization mechanisms. *Journal of European Social Policy*, 0958-9287; Vol. 21(1): 1-18.

<sup>31</sup> See for instance: Evaluation of measures for education and training under the ESF, February 2008. Brine, J., 2002. Further education participation, European Expansion and European Erasure. *British Education Research Journal*, Vol. 28, No 1. Brine, J., 2004. The European Social fund: the Commission, the Member State and levels of governance. *European Educational Research Journal*, Vol. 3, No 4.

opportunities<sup>32</sup> have had strong positive impacts in the Member States. Likewise, ESF has provided incentives for enterprises to engage in training of the employed<sup>33</sup>. In addition, many Member States have successfully used ESF in relation to achieving their climate objectives or implementing their low-carbon strategies<sup>34</sup>.

ESF has also provided support for institutional and administrative capacity building beyond the specific policy fields of employment, education and social inclusion. A study of capacity building interventions concluded that there were considerable achievements at the level of outputs and results. However, there is also evidence to suggest a certain lack of impetus in administrative capacity building in some Member States which continues to impede their effective absorption and implementation of ESF assistance<sup>35</sup>.

Nevertheless, referring to the ex-post evaluation of the 2000-2006 ESF support to the Open Method of Coordination in social protection and social inclusion the SPC called on the Commission to make the ESF an instrument better fitted to support social protection, health and long-term care strands.

*The ESF contributes to social and territorial cohesion by helping poorer regions to catch up*

ESF is also a cohesion instrument which channels most of the money to the disadvantaged parts of the EU and to the most disadvantaged people. It reduces the negative impact of income disparities on the capacity of the individual countries and regions to invest in human capital, which is in turn an essential condition for a sustainable catching up process (see Figure 1).

During the period 2000-2006 one third of all persons having benefitted from Active Labour Market Policy (ALMP) measures in the Member States were supported by the ESF<sup>36</sup>. Figure 1 shows the volume of ALMP (2008) and ESF average annual allocations for the ongoing period.

The ESF has been a major source of support for active labour market policies in the new Member States during the crisis<sup>37</sup>. It has been the instrument to introduce or strengthen active labour market policies in those states that were facing budgetary restrictions and supported the labour market merely with passive labour market policies (supporting household incomes), as it has been the case f.i. in SK.

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<sup>32</sup> Begleitung und Bewertung des ESF, Ziel 2, im Zeitraum 2007-2013 in der Deutschsprachigen Gemeinschaft Belgiens, Bewertungsbericht 2009, Zweiter Teil, verabschiedet durch den Begleitausschuss im August 2010. and Ecotec, Cross-cutting themes research project, final report, April 2006.

<sup>33</sup> Wagner, G., 2009. Begleitende Evaluierung für den Europäischen Sozialfonds im Freistaat Sachsen 2007-2013 – Evaluierung der Prioritätsachse A, ISW Halle/S., Sept. 2009. and Measure 2.3 scheme a) of the Polish Human Resource Development Single Operational Programme 2004 – 2006. and Kasemets, L., K. & K. Klaas, 2008. Evaluation of the results of labour market projects funded by the ESF directed to workers declared redundant and their applicability in labour market policies, Tallinn 2008.

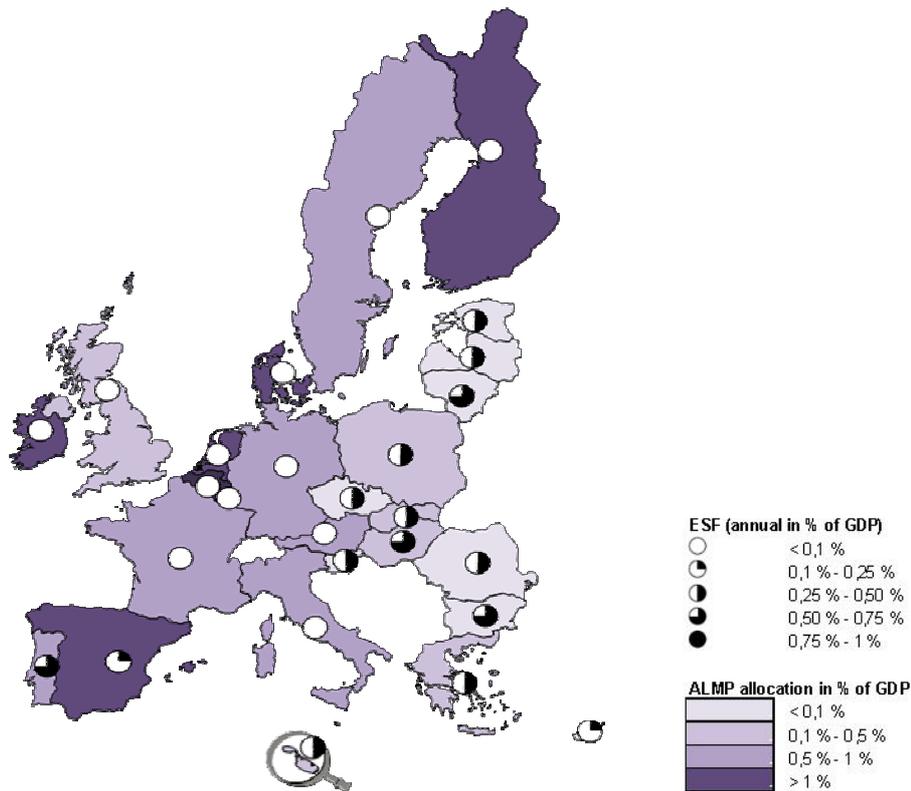
<sup>34</sup> European Commission "The European Social Fund: sustainable development and eco-technologies", 2010.

<sup>35</sup> Ecorys. Assessment of administrative and institutional capacity building interventions and future needs in the context of European Social Fund. Final report. December 2010.

<sup>36</sup> Ex-post evaluation of the 2000-2006 ESF programmes.

<sup>37</sup> Draft interim report of the "Evaluation of the reaction of the ESF to the economic and financial crisis".

**Figure 1. ALMP and ESF allocation in % of GDP**



*The ESF contributes to social and territorial cohesion by investing into human capital*

An extensive review of literature and the assistance of a panel of international experts<sup>38</sup> concluded that the training of employed people is socially rewarding but often not profitable at the level of the firm. Also, the training of unemployed people is socially profitable, in particular for those less likely to find a job themselves, and under the condition that it is associated with job-search assistance. However, training needs to be seen as a medium to long-term investment. Positive impacts like shorter unemployment spells and higher income often become visible only several years after the actual intervention. Impact in the short term is often negative because people stop seeking jobs when they participate in a training programme (lock-in effect). However, the study also concluded there were still considerable knowledge gaps such as the impact of training on workers ‘at-risk’ of unemployment, or the fact that a trainee may find a job at the expense of someone else (substitution effect). Also the impact of contextual factors, which might lead to e.g. gender specific effectiveness of training is not yet understood.

Several studies also point to potentially significant returns to investments in education and lifelong learning, in terms of both earnings and social inclusion<sup>39</sup>. There is a positive and statistically significant relationship between the level of cognitive skills in a population and

<sup>38</sup> Study on the return on ESF investment in Human capital by Eureval/Ecorys/Rambøll Management for DG EMPL and completed in (August 2010).

<sup>39</sup> Blanden, J., F. Buscha, P. Sturgis and P. Urwin, 2010. Measuring the Returns to Lifelong Learning. CEE discussion papers, CEEDP0110. Centre for the Economics of Education, London School of Economics and Political Science, London, UK.

economic growth. Achieving the official EU benchmark of less than 15 % low-achievers in basic skills by 2020 would amount to a gain of € 21 trillion<sup>40</sup>.

Though most existing studies do not distinguish between ESF and non-ESF supported measures, there is evidence that the first perform at least as well as the latter<sup>41</sup>.

*The ESF contributes to social cohesion by supporting those otherwise forgotten*

Following the observation that Member States tend to neglect the specific problems of migrants and minorities, the ESF has strengthened the attention paid to the social and economic inclusion of these groups<sup>42</sup>. Several evaluations confirm that these groups would otherwise not or insufficiently have benefitted from support programmes<sup>43</sup>.

Income support measures are currently only financed if accompanying activation measures. However, a number of stakeholders have been pleading for widening the scope of the ESF to include income protection instruments<sup>44</sup>. Others, notably Trade Unions, have been arguing against on the ground that the ESF is foremost an employment instrument.

*Yet considerable differences remain between Member States and regions.*

The table below gives the average values of the Europe 2020 headline targets directly relevant for the ESF, and their spread calculated as the difference between the maximum and minimum value per Member State. Three of the four indicators denote a positive evolution (less school drop-outs, more persons with tertiary education, and fewer people at risk of poverty or exclusion). Also the differences between Member States have reduced in all cases. Yet they remain considerable (see Table 1).

### **Table 1. Disparities between Member States**

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<sup>40</sup> Hanushek, E.A. and Woessmann, L. (2010) The Cost of Low Educational Achievement in the European Union. Analytical Report for the European Commission prepared by the European Expert Network on Economics of Education (EENEE)

<sup>41</sup> Deeke, A., C. Ohlert, 2009. Qualifizierungsmaßnahmen während Kurzarbeit nach endgültigem Arbeitsausfall – Analysen zur Förderung im Rahmen des ESF-BA-Programms 2000 bis 2006 und zum Verbleib nach der Teilnahme. IAB Forschungsbericht 3/2009.

<sup>42</sup> Report on the Evaluation of "ESF Support for Enhancing Access to the Labour Market and the Social Inclusion of Migrants and Ethnic Minorities".

<sup>43</sup> Report on the Evaluation of "ESF Support for Enhancing Access to the Labour Market and the Social Inclusion of Migrants and Ethnic Minorities" but also

Ad-hoc-Evaluierung der Aktion A.5 – Förderung des Unternehmergeistes – im Rahmen des ESF-OPERATIONAL PROGRAMME Hamburg 2007-2013

Deeke, Axel, 2010. Arbeitsmarktpolitik mit dem Europäischen Sozialfonds – Analysen zur Umsetzung und zu den Wirkungen der Ergänzung des SGB III aus Mitteln des ESF – Endbericht der Begleitforschung zum ESF-BA-Programm 2000 – 2008. IAB Juni 2010

Department for Work and Pensions, Research Report No 376 (Cubie, A./O. Baker), European Social Fund Objective 3, The 2005 Beneficiary Survey for England, 2006

<sup>44</sup> See for instance an Italian discussion paper for the Employment, Social Policy, Health and Consumer Affairs Council (dated 1/3/2010)

Europe 2020 Headline target indicators <sup>45</sup>	2007		Latest		Target
	Average	Spread	Average	Spread	
Employment rate of 20 - 64 year olds	70.0%	21.6%	68.6%	18.8%	75%
School drop-out rates	15.1%	34.2%	14.1%	32.2%	< 10%
Proportion of 30-34 year old having completed tertiary education	30.0%	34.0%	33.6%	31.8%	>40%
Number of persons at risk of poverty or exclusion	24.5%	46.8%	23.1%	32.2%	- 20 million

Despite methodological limitations deriving from monitoring, evaluating and reporting on a wide and complex set of actions embedded in a very diverse local context, the overall effects of the ESF are found to be satisfactory. The ESF is on the one hand confirmed to support the European level strategies (the social aspects of the Lisbon strategy) and at the same time to be an important instrument of employment, education and social inclusion policies in the Member States and regions. The ESF has been quite successful at striking this balance between local and European level requirements. Nevertheless, some fine-tuning may be necessary to reflect a bigger emphasis given at European level to social inclusion and the fight against poverty.

### 2.2.2. Practical implementation

*Payments to Managing Authorities are lagging behind...*

Figure 2 below compares the rate of payments<sup>46</sup> from the Commission to the Managing Authorities for the current programming period (solid line) with the previous one (dotted line). It shows that the 2007-2013 programmes started comparatively slowly. It is only in the 3rd year (2009) that payments to Member States really started to pick up. By the end of June 2011, 27% of the budgeted amounts for the ESF have actually been paid out to the MS. This is less than in the previous programming period.

Based<sup>47</sup> on the national implementation data provided by the Managing Authorities, the risk of automatic de-commitment by the end of 2011 was estimated at € 524 million. The concerned countries are IT, BE, GR, DK, NL and LU. Moreover, 26 OPs have been put into reserve and thirteen OPs are interrupted or suspended. Consequently € 808 million of interim payments remain blocked. The potential amount of the interim payments blocked due to the reservations, interruptions and suspensions is currently estimated at € 2.4 billion though this is 7 % less as compared to the end of the first quarter of 2011.

*... yet implementation is stronger than payments to Managing Authorities suggest*

Payments to Managing Authorities are not the only indicator of actual implementation. Commitments and payments from Managing Authorities to final beneficiaries are other equally important indicators. By the middle of 2011 a number of Member States estimated having already committed the whole or nearly the whole of their ESF allocations (Ireland, Latvia and Netherlands).

Figure 2 shows how much Managing Authorities have committed to beneficiaries and how much they actually paid out. However these figures are provided by the Member States on a

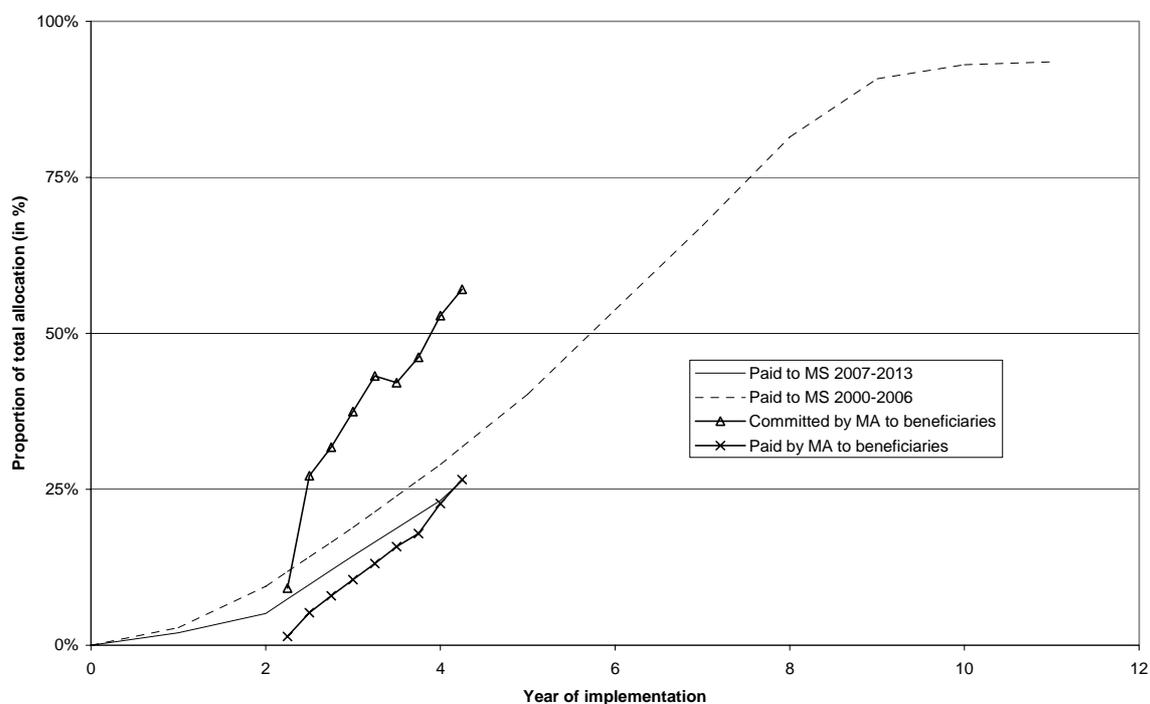
<sup>45</sup> Source: Eurostat. Latest values refer to 2010 except for the persons at risk of poverty or exclusion which refers to 2009.

<sup>46</sup> The data are taken from SFC (for the 2000-2006 programmes) and SFC2007 (for the 2007-2013 programmes).

<sup>47</sup> Estimates from the end of June 2011.

voluntary basis starting with the first quarter of 2009, and need to be interpreted with caution. Nevertheless two points are evident. Implementation really took off only in 2009 and there are considerable time lags between committing money to projects, paying the beneficiaries and being refunded by the Commission.

**Figure 2. Rate of budget implementation**



There are several reasons for this situation. Commitments by Managing authorities to beneficiaries will not all translate later on in actual payment by the Commission to Managing Authorities. There are several steps, each implying a time lag to comply with and each step, potentially reducing the volume of payment: not all commitments result in actually implemented projects; other projects may suffer considerable delays, some payment requests are late, rejected or suspended. Other reasons are: the overlap with and the extension of the previous programming period, the late approval of some Operational Programmes and the financial crisis. However, delays are due also to deficits in administrative capacity in particular for those managing the ESF for the first time and difficulties with the compliance assessment.

Summing up, there are some things which could be done to speed up payments to member states. This concerns speeding up the various steps, so that the time lags become smaller. In particular in the new Member States increasing experience with ESF will thereby be very helpful, but also the simplification efforts discussed later will help. There are some other aspects, like the number of steps as such, which can for audit reasons not significantly be reduced and finally there are issues – such as the slow start of implementation – which actually do not require specific regulatory action.

*Conformity with audit rules has improved compared with previous programming period*

The error rate is a measure of the errors representing deviation from the regulatory requirements designed to promote sound financial management. An error does not necessarily denote fraud. In many cases, the error rate is rather an indication of the complexity of the

system to account for the expenditures incurred. For instance, the ESF management department of the Czech Ministry of Labour and Social Affairs has reported that 73% of invoices attached to payment claims concerned indirect costs. As a result 73 % of the effort and human resources were spent on verifications and controls of invoices representing only 22 % of the financial allocation and without a clear link to the outputs and results of operations. In this context it is also important to stress that most ESF operations are small. Half the ESF operations have a budget of less than 50 000 € and more than 70% of ESF projects are below 100 000 €<sup>48</sup>. Also the final beneficiaries include many NGOs particularly for operations for social inclusion and the fight against poverty.

Comparing the previous and the current programming period shows a shift towards lower error rates. This is reflected in the median error rate which was 2.1 for the 2000-2006 programming period while it currently stands at 1.7. This means that half the Operational Programmes have an error well below the 2% threshold set by the ECA. Nevertheless, the average error rate is at 2.5 – 3 %<sup>49</sup> still above the threshold. There is therefore a need for a continued further reduction which is expected to be achieved through further simplification and increased experience in managing authorities.

#### *Simplified cost calculation methods are gaining wide acceptance by Managing Authorities*

The current programming period offers three methods to simplify costs accounting for grants: the use of flat rates for the declaration of indirect costs, the use of standard scale of unit costs and of lump sums. Flat rates were available as from the start of the programming period. The use of standard scales of unit costs and of lump sums was introduced in 2008 under the crisis recovery plan.

As of June 2011, schemes for flat rates for indirect costs have been approved for 37 Operational Programmes in 16 Member States. Proposals for a further 22 Operational Programmes in 8 more members States are being reviewed by the Commission, two of these are about to be finalised.

Standard scales of unit costs and of lump sums are expected to facilitate the move towards a performance based system. Their introduction is not submitted to examination by the Commission. They are clearly being increasingly taken up, for instance in Spain, Czech Republic, France, Italy and Latvia. In the UK – England and Belgium-Flanders, standard scales of unit costs and lump sums now account for a significant share of total costs.

Experience with public tendering instead of calls for proposals (for instance in Greece and in the UK) and with simplified cost options shows that it is possible to simplify for the beneficiaries and dramatically reduce error rates. The question is then why these systems have not been adopted even more widely. According to stakeholders these systems have not been adopted even more widely for essentially three reasons:

1. Some Managing Authorities worry about the legal certainty these systems offer. Could the bases on which different rates or lump-sums were calculated not be questioned triggering thereby large corrections?
2. While these systems are believed to lead to reduced overall workloads, there is also a shifting of workloads. Final beneficiaries profit directly of a simplified system to claim and justify expenses. Managing Authorities must invest more resources to put

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<sup>48</sup> Source DG EMPL: sample of 176 operations selected for the audit plan 2011

<sup>49</sup> AAR 2010

the systems into place before projects are selected and implemented than for the more "traditional" payment against expenditure. This increased investment ex-ante should be off-set by a reduced workload at the stage of control and verifications of expenditure after project implementation. However, the actual balance can not be checked.

3. There is a natural reluctance to move from a familiar system to an untested one. Some Managing Authorities are inclined to wait for more experiences before adopting the systems themselves.

There is therefore a continued need to promote these simplified costs systems and push for further simplifications.

*High consistency between programming and actual implementation, concentration on very few priority themes and strong link to Lisbon Strategy*

Comparing the amounts allocated indicatively to priority themes<sup>50</sup> at the stage of programming with those effectively spent, give an indication of the concentration of the ESF Operational Programmes and their consistency over time.

Overall there are 86 priority themes, which cover all expenditure under the Structural Funds. Twenty seven out of these 86 priority themes are currently used by the 2007-2013 ESF Operational Programmes. Fifteen are "typical ESF priority themes", two more refer to technical assistance. Most of the 27 priority themes 'used' under the ESF are directly linked to the Lisbon Strategy<sup>51</sup>. They account for 93% of the indicative allocations set in the operational programmes and 94% of actual spending in 2009.

The ESF is strongly concentrated on a limited number of priority themes. Six priority themes<sup>52</sup> account for more than 75% of all allocations and actual spending (2009 data) in 20 Member States and in more than half of the Operational Programmes (68 out of 115, 2009 data). On average only 5 priority themes are needed to account for at least three quarters of spending of an Operational Programme, and the maximum is seven (see Table 2). No significant differences were found between Convergence and Regional Competitiveness and Employment regions.

**Table 2. Number of priority themes needed to account for a given concentration of ESF expenditure at the level of an Operational Programme (Source: SFC2007 for 2009)**

	min	max	Average
25%	1	2	2
50%	1	4	3
75%	1	7	5
90%	1	11	9

<sup>50</sup> Priority themes are set in the General Regulation and in the Implementing Regulation. They are used to characterise the expenditures in terms of their objectives or type of intervention. These data refer to the operational programmes as a whole.

<sup>51</sup> Council Regulation (EC) No. 1083/2006 – Annex IV

<sup>52</sup> They are: 66 – Implementing active and preventive measures on the labour market; 73 – Measures to increase participation in education and training [...], 71 – Pathways to integration and re-entry into employment [...], 62 – Development of life-long learning systems and strategies in firms [...], 72 – Design, introduction and implementation of reforms in education and training systems [...], and 74 – Developing human potential in the field of research and innovation [...]

It is not possible to assess whether this observed concentration is optimal or not. Firstly priority axes form the basis of reporting on physical achievement, not the priority themes which run across the whole programmes. It is therefore not possible to directly link achievements with the level of concentration of funding on some priority themes or not. Secondly, the ESF is not the only source of funding in the policy domains covered. National and regional funds (not only the co-funding) may be much more important in volume. National and regional authorities could decide to allocate EU funds to one or several policy areas without that any changes to the overall level of resources available to each policy area. Concentration or spread of ESF resources does therefore not necessarily reflect overall concentration or spread at a national level. This makes it impossible to objectively attribute observed changes at the macro level (for instance overall employment rate) to actual degree of concentration of ESF programmes.

While there is convincing evidence of high concentration of ESF expenditure on a small number of European level priority themes, this does not avoid that managing authorities disburse the funds through a high number of relatively small projects (half the ESF operations have a budget of less than 50 000 €). There is no indication that this is in any way detrimental to the actual overall impact of the operational programmes. Implementation requires considerable local knowledge. In a situation of shared management project selection and follow-up is primarily the competence and responsibility of the managing authority.

#### *Administrative costs*

There is a natural tension between reducing administrative cost, and maintaining high quality financial management. One complaint often heard is that the administrative burden imposed by the ESF (and the Structural Funds more widely) is disproportionately heavy. Ongoing studies (for the ESF and for the ERDF and the CF) to define more precisely the administrative costs associated with cohesion policy operational programmes have yet to be completed. An indication is that the current Regulation foresees that up to 4% of the funds can be allocated to Technical Assistance yet current allocations are well below, at 3%.

The extensive and thorough 2008 report on the future of the Funds from the House of Lords provides further indications<sup>53</sup>. The report stated that "the evidence received did not demonstrate that the cost of administration, relative to the total size of the budget, is significant in the United Kingdom. Extrapolation to countries receiving larger contributions from the funds might suggest further efficiencies and we dismiss witnesses' claims that the regional policies are beset by a costly bureaucracy".

### **2.3. Lessons from EGF implementation**

#### **2.3.1. Effects**

Experience gained with the EGF shows that, although the package of active labour market measures proposed for EGF funding differs significantly from one application to another, common characteristics are that:

- the support targets a clearly identified group of dismissed workers with a common dismissal background,

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<sup>53</sup> House of Lords European Union Committee report 19 "The future of EU Regional policy", 16 July 2008

- the package of measures is discussed in great detail with all stakeholders involved, not only trade unions and employer organisations, but also local and regional authorities, training institutes, and others,
- the measures provide tailor made solutions for a specific group of workers.

As a result the EGF delivers some highly individualised and innovative measures. Sweden, for example, tested the concept of 'generation change' in the application for workers made redundant by Volvo. Under this innovative measure a redundant worker is continuously mentored by an older and experienced worker seeking to hand on some valuable skills. Germany tested the concept of continuous reflection and support in 'peer groups'. It was initially successfully tested in the application related to workers dismissed by the mobile phone manufacturer BenQ and later proposed in all further German EGF applications. Another innovative measure in Germany was the selection of coaches to match the need of particular groups of dismissed workers (e.g.: coaches with a migration background for ex-workers with a migration background so as to reduce communication obstacles).

In the period 2007 – 2010 EGF support has been requested for 72 537 workers being dismissed by 6 054 enterprises in 18 Member States. The enterprises belonged to a wide variety of economic sectors, such as automotive, machinery, textiles, construction, printing and publishing industry, electronic equipment, basic metals, shoe manufacture, shipbuilding, furniture, crystal glass, carpentry and joinery. Furthermore in some Member States the EGF has contributed to a green restructuring of the economy<sup>54</sup>.

An analysis based on the data available with the European Restructuring Monitor indicate that for the period 2009 – 2010 the EGF has been able to assist about 10 % of all dismissed workers in the EU. Experience so far suggests that the reintegration rate is around 40 % after 12 months and further positive impact can be observed over a longer period of time<sup>55</sup>.

### **2.3.2. Practical implementation**

The EGF has high visibility as it is granted on a case by case basis and it creates big expectations amongst dismissed workers. The Fund is to act as an emergency, short term and immediate instrument. However, it takes from 8 months to 15 months (more than 11 months on average) between the application and the payment date. Because of constraints on Member States' finances, Member States are usually reluctant to start and pre-finance the active labour market measures in the absence of a confirmation by the Commission on the eligibility of the case.

The main underlying driver of this problem is the complex procedure<sup>56</sup> to secure the allocation of funds for EGF assistance. The EGF is currently funded outside the MFF. Every application submitted by a Member State requires an in-depth assessment by the Commission, followed by a Proposal for a Decision of the European Parliament and of the Council. After the Decision is adopted by both arms of the Budgetary Authority, the Commission takes a

<sup>54</sup> Anticipating & Managing Restructuring - EU Synthesis Report: (see <http://ec.europa.eu/social/main.jsp?catId=819&langId=en>.)

<sup>55</sup> The mid-term evaluation of the EGF is currently being carried out; therefore it is not possible to provide more evidence of the EGF outcomes for the purpose of this Impact Assessment. The evaluation is carried out by GHK. The final report is expected in December 2011.

<sup>56</sup> The arrangements are covered under point 28 of the Inter-institutional Agreement (OJ C 139, 14.6.2006, p. 1) between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management. EGF applications are funded through unspent margins or cancelled commitments from the previous years. For each application the Commission has to make a Proposal to deploy the EGF.

Financing Decision which allows it to pay out the approved contribution to the applicant Member State. Of the total period of eleven months, about three months are spent on procedures (translations, Inter Service Consultations, etc.).

While ESF and EGF operate in similar circumstances, the EGF is seen as the emergency instrument to tackle unforeseen mass redundancies and the ESF to deal with the more long term structural elements. However, optimum use is not always made of these synergies between the EGF and the ESF. Even though management and control systems for the EGF in most Member States are very similar to the ones used for the ESF, Member States had to set up parallel structures for management and control.

A further problem arises from the absence of a constant expenditure pattern as a consequence of the unforeseeable nature of redundancy events triggering applications for EGF support. Experience has shown that the amounts which are needed vary from year to year: in 2007 demand for EGF support reached € 51,8 million, in 2008 € 20,6 million, in 2009 € 131,7 million and in 2010 € 132,5 million. This makes it difficult to programme with a high degree of certainty the budgetary needs of the Fund.

The current EGF eligibility criteria and measures are also not adapted to the situation of farmers who might be negatively affected by trade agreements.

## **2.4. Lessons from the direct management instruments**

### **2.4.1. PROGRESS**

#### *Effects*

Since its establishment in 2007, PROGRESS has contributed to both strengthening the coordination of EU employment and social policy and bringing about effective application of EU law. The interim results of the mid-term evaluation<sup>57</sup> and those of the annual performance monitoring<sup>58</sup> provide evidence of PROGRESS outcomes and offer insights about its delivery processes.

PROGRESS allowed for Europe-wide comparison of evidence, and for developing statistical tools, methods and common indicators to ensure that EU employment and social policy and legislation are relevant to the needs of Member States. The quality of analytical outputs is generally good in terms of content and usefulness. Although the primary user of such outputs is the Commission itself, there is evidence<sup>59</sup> that these outputs are used in the EU and national policy- and law-making as well as in the wider policy debate. Specific examples of policy evidence which was evaluated by the respondents to the 2010 Annual Survey as being most helpful in different PROGRESS policy areas include:

- Employment section: Monthly Labour Market Monitor and Quarterly Labour Market Review,
- Social protection and social inclusion section: Collection of statistics on income and living conditions, reports of the group of independent experts on social inclusion and MISSOC database: Comparative Tables on Social Protection,
- Working conditions section: Non-binding guide to good practice for implementing Directive 2003/10/EC,

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<sup>57</sup> The mid-term evaluation is carried out by Ecorys Netherlands. The final report is expected in December 2011.

<sup>58</sup> The results are presented in the annual performance monitoring reports available at <http://ec.europa.eu/social/main.jsp?catId=659&langId=en>

<sup>59</sup> PROGRESS Annual Performance Monitoring Report 2009.

PROGRESS is the main financial instrument to mutual learning and the exchange of good practices in employment and social solidarity through the European Employment Strategy (EES) and the Open Method of Coordination on Social Inclusion and Social Protection (Social OMC). These processes have proven to provide factual information, influence agenda-setting, enhance cooperation among national authorities and constitute a basis for decision-making for participating Member States<sup>60</sup>. For instance, 22 Member States plus Norway and Serbia were actively involved in the Mutual Learning Programme in 2010. Main issues covered included self-employment, labour market integration of the Roma community, support for the jobseekers and the unemployed, short time working arrangements, ageing population and education choices, activation of the elderly, and labour market integration of lone parents.

PROGRESS strengthened partnership among policy makers and stakeholders especially by contributing to the capacity building of key non-governmental actors (EU-level networks and national NGOs). In particular, the outputs of key EU networks were seen by a majority of stakeholders as beneficial for advocacy and partnerships<sup>61</sup>. For instance, in 2010, PROGRESS-supported key EU networks and NGOs produced 295 reports aimed at providing policy advice, research and analysis, 179 reports aimed at identifying good practices, and 235 reports aimed at monitoring/assessment in the policy areas of anti-discrimination, social protection and social inclusion, and gender equality. They also organised 316 training, peer review and other mutual learning events, as well as 462 information and communication events. The number of participants in those events increased by more than 50% from 21 901 in 2009 to 34 501 in 2010.

Through PROGRESS, the Commission seeks to bring about effective application of EU law on matters related to health and safety at work, labour law, working conditions, non-discrimination and gender equality in all Member States. First of all, PROGRESS contributed to improving the quality of the Commission's policy initiatives by ensuring that they are built on strong evidence<sup>62</sup> as well as making its decision-making processes more accessible and involving a broad range of stakeholders in policy development. For instance, in 2009, PROGRESS contributed to several policy initiatives, including the agreement in Council on the revision of Directive 86/613/EEC on equal treatment of self-employed and assisting spouses and the Council decision for the European Union to sign the UN Convention on the Rights of Persons with Disabilities. Second, it helped to ensure correct and effective application of EU law in the Member States by monitoring the implementation of EU law in the Member States (by supporting networks of legal experts and external studies) and providing assistance to the Member States (through trainings and mutual learning events for legal practitioners) in transposing and applying EU law effectively.

### ***Practical implementation***

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<sup>60</sup> 89% of the 2010 Annual Survey respondents claim to have gained better understanding of EU policy objectives by participating in PROGRESS-funded events. See PROGRESS Annual Performance Monitoring Report 2010.

<sup>61</sup> Over 4/5 of the respondents to the 2010 Annual Survey agree that EU-level NGOs/networks are successful in increasing awareness and exerting pressure on policy makers in the relevant policy area, and a source of useful and appropriate information on the implementation of EU law and/or conditions, needs and expectations of relevant target groups.

<sup>62</sup> This evidence is also reported to be used for developing national legal acts implementing EU law. Namely, 25% of the respondents of the 2010 Annual Survey indicated that studies, analyses, thematic assessments and monitoring reports produced under the programme have contributed to adopting/amending national legal acts implementing EU law.

The mid-term evaluation finds that the PROGRESS programme's annual cycle of planning, implementation, monitoring and evaluation of activities is considered generally fitting, however it is recommended that a multi-annual programming be developed to set more strategic long-term policy objectives combined with annual funding priorities<sup>63</sup>.

The evaluation confirms that the main types of activities (analytical, mutual learning and support to main actors) are very relevant to the programme objectives across its policy sections. The analytical outputs analysed by evaluators are generally of good quality in terms of content and usefulness. However, timeliness of delivery of studies should be improved by greater use of framework contracts. Mutual learning and peer reviews seminars are highly attended and generate considerable learning effects. However, the results of both the mid-term evaluation and the annual performance monitoring confirm that despite continued efforts in the last years, visibility and dissemination of PROGRESS results deserve further improvement to ensure sustainability and the long-term exploitation of funded projects.

Another weakness of the current programme is the rigid allocation of its budget to the policy sections. This rigidity made it harder to effectively respond to political imperatives and changing circumstances, in particular in the wake of the crisis. The successor instrument should draw lessons from this experience in order to strike a balance between predictability and flexibility in its budget.

Results-based management and performance measurement proved to be successful in demonstrating the programme's achievements as well as in enhancing the EU's accountability. The mid-term evaluation recommends maintaining this approach; however, the administrative burden linked to the annual reporting should be reduced.

Synergies between the programme and the European Social Fund should be more fully exploited. For example, at EU level, coordination and knowledge transfer should be improved between PROGRESS and the ESF in particular in the framework of the Open Method of Coordination. Furthermore, the ESF could help mainstreaming results of the PROGRESS projects, for example, by drawing lessons from social experimentation projects and supporting replication of this approach in the Member States.

Lastly, despite some positive examples of integration of the gender dimension into the programme activities, the mid-term evaluation recommends putting more emphasis on the concrete implementation of this principle, and ensuring that gender equality is mainstreamed in a meaningful way across all PROGRESS-supported activities.

## **2.4.2. EURES**

### ***Effects***

Increasing intra-European job mobility by providing easier and actual access to more employment opportunities and support to employers can prove extremely helpful to tackle the issue of unfilled job vacancies around Europe and actually contribute to the general 2020 employment rate objective. Evidence from Commission research suggests that countries not applying transitional rules on free movement and therefore allowing incoming mobility have benefited from a higher GDP growth<sup>64</sup>. Even now, after the 2008-2010 recession, Europe has pockets of labour shortages and excess of skilled labour, i.e. there are many job vacancies that

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<sup>63</sup> Interim report of PROGRESS mid-term evaluation.

<sup>64</sup> Employment in Europe report 2008 "... estimate that mobility flows from the EU-8 have added an extra 0.4% to the Irish GDP and 0.3% to the UK's GDP by 2007..."

remain unfilled due to the lack of a suitable work force<sup>65</sup>. Current imbalances in the EU labour markets are partly due to a lack of labour mobility within the Union. However, intra-EU mobility of workers is not seen as a priority by a lot of Member States.

The June 2010 Special Eurobarometer on "Geographical and labour market mobility" showed that 34% of Europeans think that their chances of finding a job abroad are better than in their own countries; however, today only 2.3% of the working age population lives and works in a Member State different from the one of their nationality.

An external evaluation of the functioning of the EURES network<sup>66</sup> revealed that in comparison to other EU networks, EURES has a significantly stronger focus on employment opportunities and it is also the only one that aims at providing specific job-matching services. The EURES Job Mobility Portal is appreciated by jobseekers, job changers and employers who clearly see the benefit in being able to access – or post – information on vacancies across Europe. The surveys with jobseekers and job changers and employers show that the job vacancies database has facilitated job matching and intra-EU job mobility.

However, one of the findings of the evaluation was that the links between its aims and objectives, its achieved outputs and the wider employment aims and objectives of the EU are not prominent enough. The translation of strategic objectives into operational objectives and its capacity to achieve and present results needs to be improved. EURES needs to focus more on tangible outcomes and results in terms of outgoing and incoming placements and recruitment also through targeted mobility schemes: for example by helping young people and employers to fill open bottleneck vacancies, i.e. vacancies for which recruitment difficulties or market failure have been identified. "Your first EURES job", currently implemented as a preparatory action, is intended to foster youth job mobility across the EU-27 countries.

### ***Practical implementation***

EURES predates the European Employment Strategy (1997) as well as the Lisbon strategy for Growth and Jobs (2000). The EURES objectives were broadly defined in 1993 and stopped at the provision of information and virtual transparency<sup>67</sup> of labour markets through clearance of vacancies and CVs. The EURES objectives do not make full use of the exclusive competence provided by the TFEU in the field of free movement of workers.

There is a need to simplify and streamline EURES. Its founding documents are composed of a Regulation, a Commission decision, a "Charter" and three-year guidelines. Funding is distributed to the network with a three year partnership following a call for proposals in 2010. Moreover, four different committees and bodies supervise its functioning: the two committees created by Regulation 1612/68 (revised 492/2011), a EURES working party and the High Level Strategy Group, created by Commission decision 2003/8/EC. As a result there is a need to harmonise and update the implementation provisions to take into account the Europe 2020

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<sup>65</sup> "A new strategy for the single market", report by M. Monti, 9 May 2010, p.57

<sup>66</sup> Ex-post evaluation of the EURES programme covering the period 2006-2008, EPEC 2010

<sup>67</sup> Commission decision of 23 December 2002 implementing Council Regulation 1612/1968 as regards the **clearance of vacancies and applications for employment**, Article 2 on EURES objectives:

- (a) the development of European labour markets open and accessible for all;
- (b) the transnational, interregional and cross-border exchange of vacancies and job applications;
- (c) transparency and information exchange on the European labour markets, including on living conditions and on the opportunities for acquisition of skills;
- (d) the development of methodologies and indicators for this purpose.

labour markets features, notably regarding the clearance of vacancies and application for employment, the definition of the operational objectives of EURES services, the composition and governance of the EURES network, the quality standards and exchange of information/best practices. Moreover, the current set-up does not reflect the increasing role played by private employment services. These reforms will ensure consistency between the different parts of EURES in line with the new MFF instruments. It should be noted that all **strategic objectives of the EURES reform can be achieved without changing these texts**<sup>68</sup>

The largest part of the EURES budget (14 million €) is currently spent in direct management mode on over 49 grants of the EURES network, following annual calls for proposals. Management of the grants is cumbersome both on the side of the Commission and of the beneficiaries, and is disproportionate compared to the budget available.

### **2.4.3. Progress Microfinance**

#### *Effects*

Progress Microfinance was designed to address the lack of access to finance, which is one of the main obstacles preventing people to start their own business.

Especially disadvantaged groups such as unemployed, young or older people or migrants have difficulties securing traditional bank loans. Even before the crisis, the demand for microcredit (i.e. loans of less than € 25.000) was estimated at € 6.3 billion. The European Progress Microfinance Facility for employment and social inclusion extends the outreach of microfinance to particular at-risk groups and to further support the development of entrepreneurship, the social economy and micro-enterprises.

Progress Microfinance has allowed pooling expertise at European level and putting it at the service of employment creation and poverty reduction in the Member States. Ministries of labour and social affairs are often less experienced in the field of financial engineering. As a result only a small number of managing authorities have used ESF resources for establishing financial engineering instruments in the programming period 2007-2013. Given that the establishment of such funds is time-consuming and complex and that a critical mass is needed, a fund at EU level bears a strong added value: within somewhat more than one year since the entry into force of the founding decision, the guarantees window and the funded instruments window have become operational, final beneficiaries in six Member States have already been benefitting and the forecast for transactions suggests that towards the end of 2011 citizens in half of the Member States will enjoy easier access to finance.

One of the target groups of Progress Microfinance are social enterprises in their start-up phase. However, it has become clear that their specific nature (often a spin-off of a team from a traditional business, or a civic society organisation, or a public service) requires a mix of funding sources to get started, and that they face particular needs regarding development, consolidation and growth (mezzanine and hybrid capital)<sup>69</sup>. The limitation of microloans to amounts of up to EUR 25 000 is in this regard problematic.

The positive externalities of social enterprises, i.e. their impact on social, environmental and community development, are undervalued and not rewarded by the market. This constitutes a

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<sup>68</sup> A new Commission decision (CWLP 2012) will provide for the new setting of the EURES network, its operational objectives and its results orientation.

<sup>69</sup> Social Investment Manual. A Guide for Social Entrepreneurs, developed by the Social Investment Task Force (Technical University Munich; Schwab Foundation Community of Social Entrepreneurs, Schwab Foundation for Social Entrepreneurship), 2011.

limiting factor to the development and scaling of social enterprises, in addition to the low levels of development of national or regional debt or equity platforms for funding for social enterprise, both in terms of scale and capacity. This calls for a public role in developing the market for social impact investments. In order to overcome initial reluctance at national level, a possible role for the EU could be to pave the way through a suitable EU level instrument that has the capacity to leverage public sources of funding (notably ESF) as well as mobilising private social impact investors

### ***Delivery issues***

The microfinance sector has called for more capacity building, enhancing the link between funding and capacity building. Several microcredit providers (e.g. *MicroStart* in Belgium or *Qredits* in the Netherlands) have benefitted on the one hand from Progress Microfinance and on the other from a loan or an equity investment for institutional capacity building under the EPPA initiative as well as from training under JASMINE. However, while this setup is considered as complex because the microcredit providers have to apply for different programmes, it does not achieve the maximum value for money because the two processes are not linked enough in the sense that there is, for instance, no conditionality between the capacity building part and the funding.

By far the majority of micro-credit to disadvantaged persons in the EU is provided by non-commercial micro-finance institutions (NGOs, foundations, government bodies, Member States' promotional banks, non-bank financial institutions), but these providers do not currently have the capacity to meet the important demand. In order to improve the absorption capacity of the market, more capacity building is needed. As a result, more funds can be channelled through them to the final beneficiaries.

### **2.5. Who is affected, in what ways, and to what extent?**

For the **ESF** the definition of scope will impact on which projects can actually be financed and how the related systems operate. This will have significant influence on project providers (beneficiaries) and by that also on the final beneficiaries, i.e. the European citizens and also the institutions operating in the labour market.

For the **EGF**, workers laid off as a consequence of large scale restructuring are directly affected, as they cannot necessarily count on the timely delivery of appropriate support measures. The Member States are affected indirectly as they cannot optimise resource management and control of ESF and EGF and have to find the necessary funds to pre-finance the measures for a considerable period of time.

The main players affected by **PROGRESS** are public authorities, social partners and civil society organisations at EU and national level as well as the European Commission itself. Discontinuing the programme would cut off the European policy debate and transfer of good practices in the social field. Furthermore it would take away the most important instrument to evidence-based social and labour market policy-making at the European level.<sup>70</sup>

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<sup>70</sup> PPMI, *PROGRESS stakeholder needs analysis*, 2011. The analysis looked into the situation, motivations and interests of EU-level, national and regional stakeholders in relation to the broad thematic areas addressed by the PROGRESS programme. The results and implications for the successor programme to PROGRESS will be presented in a separate ex-ante evaluation.

Changes to **EURES** will facilitate the management of the network and in so far make the network more effective and allow for the inclusion of private employment services into the network. This would increase the outreach to workers with the aim of making job mobility between Member States easier. This would be to the benefit of all workers, those going abroad but also those staying behind, but having a new colleague from abroad, or getting a job which otherwise would have gone to a mobile colleague.

As far as the implementation of the **microfinance facility** is concerned, the target groups of the microfinance facility, are bearing the consequences of the lack of availability of microcredit. Increasing the absorption capacity of the market through capacity building would allow channelling more funds through them to the final beneficiaries.

## **2.6. How would the problem evolve, all things being equal?**

The baseline scenario anticipates for the **ESF** a prolongation of the current set-up, which involves maintaining the current coverage, scope and the ESF delivery arrangements.

The ESF priorities would remain focussed on employment and skills. This implies that alignment with Europe 2020 and its strengthened emphasis on social inclusion might be difficult. ESF interventions are provided in all countries and regions. Social cohesion is thereby mentioned as an equally important objective of European policy as economic and territorial cohesion. Furthermore the ESF as the most important single financial instrument of the European Union in the social field plays an important role in demonstrating that Europe is not only about economic but also about social issues. Moreover, while the increased acceptance of the simplified cost options should lead to a continued downward trend of the error rates, there is no guarantee as to the speed of that trend and that it would ultimately result in rate below the threshold set by the ECA. However, even this baseline scenario requires the establishment of a new regulation.

The current **EGF** Regulation expires on 31 December 2013. The baseline scenario anticipates a continuation of the EGF Regulation under its current rules. It would neither put in question the well-established line of distinction between the instruments nor the basic administrative requirements, which implies rather long delays between applications for and granting of support. On the other hand, the status quo is very suitable to cope with discontinuous and unpredictable payment requirements.

Also in the case of **PROGRESS**, which expires on 31 December 2013, the baseline scenario assumes that the current scheme is prolonged, but without the gender equality and anti-discrimination strands (to be part of DG Justice Programmes<sup>71</sup>).

Also for the two other instruments, **EURES** and the **Microfinance facility** a continuation of the status quo are assumed as a baseline scenario. The Progress Microfinance Facility would continue to provide guarantees and funding under joint management with the European Investment Fund, with a last investment in 2016 without new resources.

However, the baseline scenario would only be partially satisfactory for the following reasons:

- Even if the objectives of the renewed instruments would be optimally aligned on the Europe 2020's goals, an opportunity to improve the policy coherence and impact by

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<sup>71</sup> COM(2011) 500 final. A Budget for Europe 2020 - Part II - Policy Fiches - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

linking PROGRESS activities with microfinance and social entrepreneurship support, social innovation and intra-EU mobility of workers (through EURES) would be missed.

- Carrying on the current instruments without any change would not have any positive impact on simplification and administrative burden in particular for potential beneficiaries. Moreover, the rigid allocation of the PROGRESS budget to its different policy sections would prevent the Commission from effectively responding to political imperatives and changing circumstances.
- Without the gender equality and anti-discrimination strands the new PROGRESS would be smaller and as such would not have the critical mass needed to achieve its policy objectives. Its role, as an EU stand-alone programme supporting policy-making and coordination, would therefore be considerably reduced.

## **2.7. Does the EU have the right to act and is EU added-value evident**

### **2.7.1. The right to act for instruments under shared management**

The legal basis of the **European Social Fund** is Title XI of the TFEU. Next to Article 162 TFEU which establishes the ESF, further specifications are provided in Articles 8 – 10 and in Articles 153 and 175. The latter states that the ESF is one of the structural funds to be used in support of economic, social and territorial cohesion.

The legal basis of the EGF in its current form is the third paragraph of Article 175 of the TFEU. Under the flagship initiative<sup>72</sup> 'An industrial policy for the globalisation era' the Commission has pointed to the role that an expanded EGF could play to improve the ability of Member States and regions to manage the fall-out of the financial and economic crisis.

In practice, both the ESF and the EGF already have a strong focus on subsidiarity. They are implemented under shared management. National and regional authorities initiate the planning of measures co-funded by the EU. Ultimately they make the individual funding decisions and deliver the programmes on the ground, leaving the Commission with an advisory and a supervisory function. In the case of the EGF this role is enhanced in the application process<sup>73</sup>.

The reflections put forward with this document will not change the general division of competencies between the EU, Member States and between Member States and lower level administrative and political entities.

### **2.7.2. The right to act for direct management instruments**

The legal basis of the **PROGRESS** programme are Articles 149 and 153 TFEU which make provisions for coordination of employment and social policies<sup>74</sup>. In line with these provisions, a successor instrument to PROGRESS would encompass the actions which have an EU-wide dimension and which are necessary to enable the EU to effectively fulfil its role, as assigned

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<sup>72</sup> COM(2010)2020, Communication from the Commission, Europe 2020, A strategy for smart, sustainable and inclusive growth.

<sup>73</sup> The Commission additionally prepares and submits for each individual application for EGF support a proposal for a Decision to the European Parliament and the Council, acting as the Budgetary Authority.

<sup>74</sup> Actually, the current PROGRESS programme has a trifold legal basis. However, actions implemented on the basis of Article 19 TFEU fall within DG JUST area of competencies and will be part of its future post-2013 programmes.

by the Treaty in the employment and social field. As such, the Commission proposal would be in line with its competences and respect the subsidiarity principle.

The current legal basis for Progress Microfinance is Article 175 (3) TFEU. Its aim is to increase the access to, and availability of, microfinance for vulnerable groups and micro-enterprises to a sufficient scale and within a reasonable time-frame. A strengthened Microfinance Facility (including a new financial instrument to support social enterprises) under the new MFF would be implemented on the same legal basis.

**EURES** is based on Article 45 TFEU, which aims to secure the freedom of workers, one of the four freedoms in the TFEU. Regulation 492/2011 from 5<sup>th</sup> of April 2011 tasks the Commission for clearance of vacancies and CVs on the EU level. The action proposed is in line with the subsidiarity principle because of the transnational nature of the European labour markets challenges and needs (eg skill gaps, mismatches and bottle neck vacancies).

### **2.7.3. EU added value of the shared management instruments (ESF and EGF)**

Full alignment with the Europe 2020 strategy should ensure the policy relevance of the future instruments. Subsidiarity will require (i) concentrating on cross-border or transnational issues, (ii) helping national or regional authorities to do what they need to do, but lack the capacity for, (iii) intervening in a targeted manner so as to make essential contributions to the achievement of Europe 2020 policy goals. The actual implementation mechanisms of the ESF and the EGF involving directly national and regional authorities in the management of the programmes guarantee a full application of the principle of subsidiarity as the way in which the funds are spent depend fully on decisions in the region or Member State in question.

The Fifth Cohesion Report looked at public spending in MS and discusses additionality, the principle that finance from cohesion policy as a whole should not replace equivalent expenditure by Member States, which are required to maintain public investment rather than diverting funding to other purposes. Additionality is checked several times during a programming period. This verification may result in financial corrections. Placing ESF expenditure into the context of similar national expenditure outside co-funded programmes is not straightforward. This requires information about government expenditure at a level of detail that is not readily available. ESF investments correspond to several groups and classes of the UN Classification of Functions of Government<sup>75</sup> (COFOG). Yet complete data for all Member States are available only for the 10 main COFOG Divisions but not for the more detailed groups or even classes. Education is one of these divisions, yet only very small parts of education-related expenditure are eligible for EU support. Similar issues arise with the European System of Accounting.

While additionality is critical for the structural nature of Cohesion Policy, the current system is often contested on the grounds that it is a cumbersome "ad-hoc" exercise the results of which are not fully reliable and not comparable across Member States. Options to reform this verification process and link it to the transmission of data in the context of the Stability and Growth Pact are being explored. They are not specific to the ESF but regard the Cohesion Policy as a whole.

Figure 1 offers a already feasible comparison between national ALMP expenditure and ESF allocations in relation to GDP. The comparison is not perfect as more policy areas than just ALMP can be supported with the ESF. Moreover, the ALMP figures do not systematically

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<sup>75</sup> The expenditure is classified into Divisions (10), Groups (74) and Classes.

include (or exclude) ESF funding and there are problems with the quality of some data. Member States have voluntarily committed themselves to the provision of these data. While there are constant efforts to improve the statistics, some improvements have already been achieved, it seems overly optimistic to expect these problems would disappear in the near future.

While this concerns the comparison of inputs (money spent), a similar phenomenon can also be observed on the side of outputs or results of interventions. The ESF comes along with quite demanding requirements in terms of monitoring and evaluation. Public authorities from Member States confirm that these requirements had a positive influence on the implementation of national programmes. It is justified to state that ESF expenditure is at least as good – in many Member States better – monitored and evaluated as national expenditure. While there are constant efforts to improve evaluation and monitoring – as elaborated in section 7 – there are also methodological limitations<sup>76</sup>: it is often difficult to compare ESF supported interventions with similar interventions within one MS, as those outside the ESF might not have been evaluated in the same way or because there might not be similar interventions. Comparisons between MS (and in so far also the aggregation) might be difficult because of different social contexts, which can be decisive for success or failure but also determine the exact design of interventions.

Nevertheless the overall picture is that the Western and Northern European Member States which spend considerable amounts on ALMP receive on average less ESF funding. The picture is reversed in Central and Eastern European Member States. Since employment promotion is the ESF core business, this is fully consistent with an ESF being deployed in addition to national efforts.

More generally, evaluations and interactions with stakeholders confirm the ESF has "volume effects". The ESF 'adds' to existing actions, either by supporting a national action in general or specific areas of national policy. This will continue to be the case essentially in convergence regions where the volume of financial support provided through the ESF is significant in relation to national funding. This would be strengthened by concentrating on key issues identified in the NRPs and in the CSRs in accordance with the partnership contracts.

However, the added value of structural funds actions and of the ESF in particular can not be limited to volumes of actions undertaken. The ESF has brought significant benefits for many stakeholders in terms of processes (how things are done). It can be expected to continue to do so even if as process effects are related by definition to how actions are delivered, it is difficult to anticipate what effects will be generated in the future. The evidence-based and mid- to long-term oriented implementation of the fund by means of operational programmes will also in the future encourage a dialogue between various stakeholder groups and support a strategic approach. Improvements of the delivery mechanisms (notably simplification and reductions of the administrative burden) should ensure the continued relevance of process effects. ESF and EGF are instruments to facilitate a practical dialogue between European priorities and active labour market policy in Europe.

Several examples in terms of scope - extending coverage of action (broadening/widening) - and innovation - novel action / ideas that are applied on a larger scale – show the added value of the instruments considered such as the ESF and the EGF even in the current competitiveness and employment regions. The examples include: extending career guidance

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<sup>76</sup> For a discussion of the comparison of the impacts of active labour market policy see e.g. Kluge (2006) or Car, Kluge, Weber (2010).

from unemployed to workers; the development of a national network of job information centres; setting up of networks supporting small enterprises and start-ups often by people with a migration background; establishing of partnerships which became Labour Force Service Centres, one-stop-shops for "hard to employ" groups.

#### **2.7.4. EU added value of the instruments in direct management**

The instruments under direct management will bring about EU added value in the following ways:

The EU is uniquely placed to provide a European platform for policy exchange and mutual learning processes between the Member States (also including the EEA and candidate countries) in the employment and social area. Knowledge of the policies carried out in other countries broadens the range of options available to policy makers, triggers new policy developments and encourages national reforms<sup>77</sup>. Finally, it brings benefits in terms of improving the governance of the EU employment and social policy;

The EU action adds value to national interventions by providing a European dimension and comparison when gathering evidence, developing statistical tools and methods and common indicators to allow for a complete picture of the situation prevailing in the employment and social fields at European level;

The need for better application of EU law has been recognised as a key priority under the Smart Regulation agenda. The EU level is the most appropriate for modernising a legal framework, aiming to create a level playing-field and to guarantee a common level of EU legal protection for all in the fields of health and safety at work and labour law. The EU is also uniquely placed to finance measures aimed at improving compliance with EU rules as well as providing systematic review of the EU legislation application across the Member States;

Developing the capacity of key European level civil-society networks to support and further develop the Union social policy goals can best be achieved at EU level.

An increase in the availability of microcredit is best achieved at the European level: firstly, the European Commission in cooperation with the European Investment Fund has already gathered experience with the current microfinance facility, the JASMINE pilot project and the EPPA initiative requested by the European Parliament. Microfinance institutions in all Member States can now benefit from this expertise without their national, regional or local authorities having to use resources to put in place similar systems.

In addition, the financial resources pooled together at the European level are more likely to attract additional funding from third investors like the European Investment Bank who, in the case of Progress Microfinance, matched the EU contribution of 100 million. The same is true for an EU level financial instruments for investments in social enterprises: it can be expected that it will attract more resources from public and private investors.

An improved EURES would facilitate labour market mobility. Member States benefitted as bottleneck or hard-to-fill vacancies were filled by intra-EU-mobility, leading to increased economic activity and thus contributing to economic growth. Furthermore more European

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<sup>77</sup> National and regional authorities consider monitoring, research and exchange of information (through the OMC and mutual learning) as areas where EU added value is the highest. See PPMI, *PROGRESS stakeholder needs analysis*.2011.

labour market mobility could also foster a European citizenship which goes beyond national interests.

### 3. Objectives

Preparing the next MFF provides an opportunity to fully align the financial instruments to the Europe 2020 objectives in order to deliver on specific priorities and initiatives, ensure complementarity and synergies, and simplify and mainstream activities in order to maximise the impact of the funding and its EU added value.

#### 3.1. General objective

The general objective of the labour market and social inclusion financial instruments will be to support the EU to develop *a smart, sustainable and inclusive economy achieving high levels of employment, productivity and social cohesion*, i.e. to contribute fully to the Europe 2020 Strategy and in accordance with the Single Market Act of April 2011<sup>78</sup>.

The EU 2020 indicators and targets that are directly relevant for the labour market/social inclusion instruments are given in Table 3.

**Table 3. Labour market and social inclusion relevant Europe 2020 indicators and targets**

Indicators	Current values <sup>79</sup>	Target by 2020
Employment rate of 20 - 64 year olds	68.6%	An increase to 75%
School drop-out rates	14.1%	A decrease to 10%
Proportion of 30-34 year old having completed tertiary education	33.6%	An increase to 40%
Number of persons at risk of poverty	114 million	A reduction by 20 million

The financial instruments in employment and social policy also contribute in a more indirect manner to the low-carbon economy, biodiversity<sup>80</sup>, energy, R&D and competitiveness targets. For example, improving digital skills enhances the knowledge base of an economy and contributes to raising the growth potential. Training and capacity building on ecologically sound technologies helps to foster sustainable employment and indirectly supports the achievement of emissions reduction and energy efficiency targets.

#### 3.2. Specific objectives

The changing policy context, a growing pressure on public finance and overall economic and social circumstances require maximising the performance and consistency of financial instruments. The specific objective for all DG Employment, Social Affairs and Inclusion financial instruments is therefore

<sup>78</sup> [http://ec.europa.eu/internal\\_market/smact/index\\_en.htm](http://ec.europa.eu/internal_market/smact/index_en.htm)

<sup>79</sup> Source: Eurostat. The data are for 2010 except for the number of persons at risk of poverty which is for 2009.

<sup>80</sup> A recent study commissioned by DG Environment concluded that Natura 2000 network of protected areas supports 1.3 – 2.4 million jobs in the tourism and recreation sectors. Employment rates generated by Natura 2000 are estimated at 0.017 – 0.032 full time jobs per hectare.

- Financial instruments which are consistent and mutually reinforcing.

In addition to this, each instrument has a set of specific objectives derived from its legal founding and from the alignment with Europe 2020.

### **3.2.1. ESF**

The specific objectives for the ESF are derived from the Europe 2020 headline targets to which it can make a direct contribution. They are taken from June Budget Package (COM(2011)500). They are the following:

1. Promoting employment and the mobility of workers;
2. Investing in skills, education and life-long learning;
3. Promoting social inclusion and combating poverty;
4. Enhancing institutional capacity and efficient public administration.

The indicators of Table 3 will be used to assess the achievement of the specific objective. However, actual EU level targets for the ESF can not be set. This is because the implementation of funds follows national and regional operational programmes. Targets can only be set at these levels and aggregated ex-post. It is also at the level of these operational programmes that the ex-ante evaluations will be carried out. The focus of these specific objectives is on the requirement to make the ESF contributions measurable, i.e. to establish a clear causal link between changes of an indicator value and the activities undertaken.

Through these specific objectives, the ESF will also contribute to other policy objectives such as the transition to a low-carbon and climate-resilient economy. This is in line with the new MFF proposal stating that the Commission intends to increase the proportion of climate related expenditure across the EU budget to at least 20%, with contribution from different policies.

### **3.2.2. EGF**

The specific objective for the EGF is:

1. Supporting workers made redundant as a result of major structural change

### **3.2.3. The instruments under direct management**

The specific objectives for the instruments under direct management are the following:

1. Strengthen ownership of the EU objectives in the employment, social and working conditions fields among key European and national policy-makers, as well as other interested parties in order to bring about concrete and coordinated actions at both EU and Member State level;
2. Support the development of adequate, accessible and efficient social protection systems and labour markets and facilitate policy reform, by promoting good governance, mutual learning and social innovation;
3. Modernise EU legislation in line with the Smart Regulation principles and ensure that EU law on matters relating to working conditions is effectively applied;

4. Promote workers' geographical and occupational mobility and boost employment opportunities by developing European labour markets that are open and accessible to all;
5. Promote employment and social inclusion by increasing the availability and accessibility of microfinance for vulnerable groups and micro-enterprises, and by investing in social enterprises;
6. Improve policy coherence and efficiency through cross-cutting work between the various strands of action and complementarity with other EU financial instruments, in particular the ESF.

In pursuing these objectives, these instruments will aim at promoting equality between men and women and combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

### **3.3. Operational objectives**

#### **3.3.1. ESF**

The operational objective for the ESF is to simplify delivery. The following indicators have been retained to measure this:

1. The absorption of the Fund: Target: 100% or the avoidance of automatic de-commitment);
2. The error rate. Target less than 2%;
3. The use of the simplified cost options. For at least 75% of the total cost of grants.

These operational objectives should also be seen in the context of the General Regulation and its Impact Assessment. It is in the General Regulation that implementation issues common to all instruments of Cohesion Policy are covered. This is in particular the case of the overall performance and delivery of the policy. Moreover, there is no intention to change the general division of competencies between the Commission and the national and regional authorities implementing and controlling the Operational Programmes. They will continue to initiate the planning of ESF co-funded interventions and make the individual funding decisions and deliver the programmes on the ground. The Commission has an advisory and supervisory role and sits on the Monitoring Committees as an observer.

#### **3.3.2. EGF**

The operational objectives for the EGF are as follows:

1. The EGF support should reach the redundant workers more rapidly. Taking into account the status quo a benchmark of 8 months is an ambitious but realistic target
2. The rate of assisted workers finding a new and stable job after 12 months should be at least 50%.

### **3.3.3. The instruments under direct management**

Learning from the existing instruments in direct management, the following objectives will need to be met in the future as well:

#### *PROGRESS strand:*

1. Develop and disseminate high-quality comparative analytical knowledge in order to ensure that EU employment and social policy and working conditions legislation are based on sound evidence and are relevant to needs, challenges and conditions in the individual Member States;
2. Facilitate effective and inclusive information-sharing, mutual learning and dialogue on EU employment and social policy and working conditions legislation at European, national and international level in order to assist the Member States in developing their policies and in implementing EU legislation;
3. Provide policy-makers with financial support to test social and labour market policy reforms; build up the main actors' capacity to design and implement social experimentation; and make the relevant knowledge and expertise accessible;
4. Provide European and national organisations with financial support to step up their capacity to develop, promote and support the implementation of EU employment and social policy and working conditions legislation.

It is impossible to make these four specific objectives genuinely measurable while they are specific, acceptable and realistic. For instance, mutual learning events cannot be quantified because their number and topics depend on Member States interests and will to host such events and participate in them. The volume of knowledge produced depends on the needs of policy development. These objectives by their very nature are therefore assessable only by means of subjective variables, like satisfaction of and knowledge among stakeholders, surveys investigating on the perception of EU role in social and employment policy debates as well as intended and actual use of outputs for policy-making. Nevertheless, this approach remains in line with result based management which foresees setting effective targets at a level close to the activity as such.

#### *Microfinance/Social Entrepreneurship strand:*

5. Increase the number of microloans to the target beneficiaries;
6. Build up institutional capacities of microcredit providers to ensure that they can absorb funding from the microfinance facility in order to extend their client base;
7. Increase the number and scale of social enterprises contributing to the achievement of a high level of employment and social inclusion.

*EURES strand:*

8. Develop an efficient monitoring system and increase the number of transnational placements (i.e both outgoing and incoming) facilitated by EURES by 3% per year (currently estimated at 100.000 direct and 50.000 indirect placements per year, evidence not robust).
9. Increase the number of job vacancies/CVS on the EURES Portal by 3% per year (currently 1,000,000 job vacancies, 600,000 CVs)
10. Set up specific targeted mobility scheme at EU level to fill bottleneck and niche vacancies, help specific groups of jobseekers with a high propensity for mobility and support countries which are or will become recipients of mobile workers.

In order to achieve these objectives, EURES will need to:

- simplify and rationalise its intervention logic by developing EURES services in relation with both outgoing/incoming placements and recruitment services where there is an economic need and will to fill open job vacancies.
- reform its administrative management, via the restructuring of its activities into a) vertical i.e. national and cross border activities under "shared management" (ESF) ; b) horizontal i.e. EU level activities under the new integrated direct management tool for PROGRESS.
- Ensure the consistency of its financial instruments in light of its new organisational structure

Furthermore, the results of the actions implemented under the integrated programme shall be adequately communicated and disseminated in order to maximise their impact, sustainability and the EU added value.

#### **4. Policy options**

The options considered cover different dimensions, namely:

1. The scope of the ESF interventions;
2. Simplification of ESF implementation
3. The relationship between the EGF and the ESF;
4. The links between direct management instruments and the ESF.

The first two dimensions directly address the issue of the content of ESF support including the question of how to simplify implementation. Under all change options, the monitoring and evaluation systems will be reinforced in comparison to the current situation.

The latter two dimensions focus on the overall architecture of employment and social policy-related financial instruments on the European level. For each dimension, the options being considered represent a range which has been shaped by dialogue with stakeholders and recommendations derived from research in the area.

Further aspects which make a significant contribution to the effective implementation of the ESF, namely questions relating to demarcation with other funds and to complementary with other EU instruments, performance orientation or increased transparency through a better monitoring system are to be discussed in the IA accompanying the General Regulation. For

these governance related aspects it is important to ensure consistency between the Structural Funds.

Table 4 presents and overview of the intervention logic.

**Table 4. Overview of intervention logic**

PROBLEMS	GENERAL OBJECTIVE	INSTRUMENTS	SPECIFIC OBJECTIVES	OPERATIONAL OBJECTIVES	OPTIONS CONSIDERED	
<p>Global challenges (global competition, ageing, climate change, technological change, etc..)</p> <p>Large disparities in employment, health, education/training and social inclusion between MS and regions.</p> <p>High unemployment, shortcomings in skills, low labour mobility</p> <p>Links and spill-over between EU MS and regions requiring coordinated action</p> <p>Weak evidence hampering policy-coordination</p> <p>Unequal application of EU labour market legislation</p> <p>Implementation issues and overlaps between instruments available</p>	<p>Contribute to the Europe 2020 strategy – in particular the social and employment objectives</p>	all	<p>Improve policy coherence and efficiency</p>			
		ESF	<p>Promote</p> <ul style="list-style-type: none"> <li>• Employment and mobility,</li> <li>• Education/training skills,</li> <li>• Social inclusion, and</li> <li>• Institutional capacity building.</li> </ul>	<ul style="list-style-type: none"> <li>• Content level operational objectives defined in the OPs</li> <li>• Governance related: high absorption (target 100%) and no de-commitment; error rate below 2%</li> </ul>	<p>Scope and reimbursement modes</p>	
		EGF	<ul style="list-style-type: none"> <li>• Support workers made redundant as result of major structural changes</li> </ul>	<ul style="list-style-type: none"> <li>• Speeding up delivery</li> <li>• At least 50% reinsertion in the labour market</li> </ul>	<p>Budgetary status of EGF and relation with ESF</p>	
		<p>Social Development Agenda</p>	PROGRESS	<ul style="list-style-type: none"> <li>• Strengthen ownership of the EU employment and social policy</li> <li>• Support policy reform by strengthening social innovation</li> <li>• Modernise EU legislative framework and ensure effective application of EU law in the employment and social policy field</li> </ul>	<p>Promote:</p> <ul style="list-style-type: none"> <li>• Research</li> <li>• Mutual learning</li> <li>• Social innovation &amp; experimentation/pilot projects</li> <li>• Capacity building</li> </ul>	<p>Levels of integration between the instruments under direct management and integration with instruments under shared management</p>
			EURES	<ul style="list-style-type: none"> <li>• Promote geographical and occupational mobility</li> </ul>	<ul style="list-style-type: none"> <li>• Increase the number of job vacancies on the EURES Portal</li> <li>• Increase number of transnational placements</li> <li>• Set up specific targeted mobility scheme at EU level</li> </ul>	
MICROFINANCING / SOCIAL ENTREPRENEURSHIP	<ul style="list-style-type: none"> <li>• Increase access to and availability of microfinance and support to social enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Increase the number of micro-loans</li> <li>• Build of institutional capacity with microcredit providers</li> <li>• Increase the number and scale of social enterprises</li> </ul>				

#### 4.1. The scope of the ESF

In times of budgetary tensions it is essential that the EU money is used to support EU priorities<sup>81</sup>. This is in line with official statements from the European Council in June 2010, President Barroso<sup>82</sup> and is also shared by the ESF Committee<sup>83</sup>. Still, there is a decision to be taken between an ESF narrowly focused on core tasks directly related to employment or a broader scope including income replacement, for instance through measures providing out-of-work income maintenance and support (so-called passive measures as opposed to active measures which aim at activating people and improving their integration into the labour force).

The options below are chosen following the discussion with stakeholders and experts. They form a continuum starting with narrower focuses than is currently the case to a much broader focus. They are defined in terms of their relevance to the Europe 2020 integrated guidelines (IGL)<sup>84</sup>. This entails that any ESF action is conceived in support to one or more guidelines, not that it supports all actions foreseen under a given IGL. For instance actions of regulatory or legislative nature are addressed to the Member States and fall naturally outside the scope of the ESF. Moreover, it also recognises that the ESF is only one of the necessary instruments.

The no-policy change (*option 1.1*) corresponds to an ESF covering policies and actions *leading directly or indirectly to employment and enhancing social inclusion*. This corresponds to the IGL 7, 8, 9 and, to some extent, 10. In view of its importance to the Europe 2020 strategy, a particular importance is given to the transition from training and education notably tertiary and vocational education to employment. Transnational actions related to people in labour market and adult education (being unemployed or in job search) are covered. Social inclusion and fight against poverty are eligible as such, even for people that are not very close to the labour market. Nevertheless, a certain link to the labour market still needs to be established. Vulnerable groups can be supported with a view to promoting their reintegration in the labour market. Institutional capacity building measures may cover all sectors. Health is supported to a limited extent, provided there is a clear labour market linkage (e.g. health and safety at work, mental health in the framework of social inclusion priority). Passive measures are only eligible when linked to activation measures. The transition to low-carbon economy can be supported through professional training and advanced vocational training to develop and adjust skills and qualifications, especially in the energy efficiency, renewable energy, sustainable transport and agriculture sectors.

Under *option 1.2*, the ESF is narrowly focussed on policies and actions leading *directly to employment*. This corresponds to the IGL 7, 8 and 9. The function of the ESF is to facilitate access to employment. Social inclusion and fight against poverty interventions are not eligible as such, except for people that are very close to the labour market. The coverage is much narrower than today. For instance, it does not cover activities oriented towards long-term unemployed which are not likely to find any time soon a job in the first labour market, or people with a disability who will permanently rely on subsidised or sheltered employment

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<sup>81</sup> Council Recommendation of 13 July 2010 on broad guidelines for the economic policies of the Member States and of the Union" and "Council Decision of 21 October 2010 on guidelines for the employment policies of the Member States"

<sup>82</sup> Council Decision from June 2010 and State of the Union Speech from September 2010

<sup>83</sup> [http://ec.europa.eu/employment\\_social/esf/docs/article\\_10127\\_opinion\\_on\\_future\\_esf\\_en.pdf](http://ec.europa.eu/employment_social/esf/docs/article_10127_opinion_on_future_esf_en.pdf)

<sup>84</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:308:0046:0051:EN:PDF>

(such activities are covered in options 1 and 3). Support to the reforms for instance of employment services is covered. In the field of education, only actions with direct labour market relevance are eligible (e.g. strengthening the links between the labour market and education, adapting education and training systems to labour market demand). Institutional capacity building can be covered in relation to public employment services and capacity building of social partner.

Under **Option 1.3** the ESF has a **broad scope** for interventions covering policies and actions leading directly or indirectly to employment or social inclusion. This corresponds to the IGL 7, 8, 9 and 10. Expanding on option 1.1, this option does not require the activity to be linked to employment. This has the benefit that activities where such a link would be highly artificial but which are nevertheless important for social inclusion can be funded without difficulties. For instance, interventions aiming at fostering pre-school attendance would be covered. In the field of social inclusion, the scope of the ESF is extended to cover access to high quality, affordable and sustainable services, in particular in the social field. It does include a broad range of health activities and greater focus on anti-discrimination measures, which aim at enhancing full participation in society. Passive measures are only eligible when linked to activation measures. All actions in the field of education are eligible for support.

Some stakeholders have called for a **broad scope for ESF including passive measures**. **Option 1.4** corresponds to the IGL 6, 7, 8, 9 and 10. The range of actions is the same as under option 1.3. However, the ESF can also co-finance income support for actions with a social inclusion dimension. Under option 1.4 passive measures can be supported even outside the periods of activation.

All the options proposed continue with the – by now well established and accepted – practice to support people as well as institutions (systems and structures) in the relevant areas of intervention. While the ESF may fund equipment needed for a given intervention, it does not fund infrastructure works, such as construction or renovation of buildings and roads, under any of the options. These types of investments may be supported by other instruments under Cohesion Policy notably the ERDF. It has also to be underlined that the existing practises to fund passive measures during (and only during) the period for which participants follow active measures (training for example) remains unchanged for options 1.1, 1.2 and 1.3.

A particular emphasis is given to innovative and transnational actions in synergy with actions supported in other EU programmes under all options. The role effects (in particular the policy change, mutual learning, innovation dimensions<sup>85</sup>) and scope effects of the ESF (broadening in a relevant and effective way the scope of existing actions) can be strengthened by funding in a more systematic way social innovation and experimentation projects.

In line with the new MFF proposal announcing that the Commission intends to increase the proportion of climate related expenditure across the EU budget to at least 20%, climate mainstreaming gains in importance. For all ESF options, climate objectives will in particular be relevant in relation to activities under promoting employment and investing in skills which will be needed for the transition to a low-carbon and climate resilient economy. Mainstreaming must be visible, robust and accompanied by a clear cross-cutting obligation to identify where programmes promote climate action or energy efficiency so that the EU is able

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<sup>85</sup> The ex-post evaluation proposes "that the ESF promotes a portfolio of innovative projects. The ESF should focus on an experiment-oriented and risk-taking approach whereby new solutions to labour market and welfare policies are attempted, and knowledge about what works is increased and systematically disseminated across regions and MSs through, among other things, the promotion of 'best practices'".

to set out clearly how much of its spending relates to climate action. Clear benchmarks, monitoring and reporting rules for all relevant EU policy instruments will be established by building on two strands: 1) common tracking procedures for climate related expenditure; and 2) target setting in all relevant policies and the monitoring of results.

Furthermore horizontal issues such as aiming to combat discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation remain cornerstones of the ESF under all options. In particular, gender equality continues to be actively promoted through the dual approach of gender mainstreaming and specific actions. Those issues should be addressed as horizontal principles aiming at achieving the overall goal of the ESF. The social and economic integration of Roma people should also be specifically addressed. The obligations that the European Union has taken by becoming party to the UN Convention on the Rights of Persons with Disabilities<sup>86</sup> should also be considered. In addition, all actors responsible for the implementation of the ESF are to ensure that implementation of its priorities is in full respect with the rights and principles enshrined in the Charter of Fundamental Rights of the European Union. This approach is fully in line with the Strategy for the effective implementation of the Charter of Fundamental Rights by the European Union.<sup>87</sup>

The Table 5 below summarise the differences and similarities between the different options.

**Table 5. ESF scope options**

Options	Policy areas			
	Employment	Education	Inclusion	Institutional Capacity building
<b>1.1 – No policy change</b>	All measures considered as ALMP Health only included where directly related to employment (f.i. health and safety at work)	Fully covered (not restricted to transition from education and training to employment)	Covered provided a link a link to the labour market is established	Any sector
<b>1.2 – focus on employment</b>	All measures considered as ALMP	Focus on transition from education and to training employment	Not covered	Only of labour market related institutions
<b>1.3 – broad scope</b>	Same as option 1.1	Same as option 1.1	Option 1.1 but with access to services and anti-discrimination	Same as option 1.1
<b>1.4 – broad scope including passive measures</b>	Option 1.3 plus income support (passive labour market measures)	Same as option 1.1	Option 3 including income support.	Same as option 1.1

<sup>86</sup> Council decision 2010/48/EC of 26 November 2009 concerning the conclusion, by the European Community, of the United Nations Convention on the Rights of Persons with Disabilities, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:023:0035:0061:EN:PDF>

<sup>87</sup> Communication on Strategy for the effective implementation of the Charter of Fundamental Rights by the European Union from 19.10.2010 COM(2010) 573 final.

## 4.2. Simplification of ESF implementation

The scope for the simplification of ESF implementation is actually foremost dependent on provisions made elsewhere notably in the Financial Regulation and in the General Regulation for the ESF, ERDF and Cohesion Fund. The options discussed here mirror a discussion in the Impact Assessment of the General Regulation but focus on the use of simplified cost options for which ESF specificity is the most marked. The analysis will develop an ESF specific approach.

Under **option 2.1 (*status quo*)**, reimbursement is based mainly on real costs, the use of simplified cost options (flat rates, standard scales of unit costs and lump sums) is allowed, but optional. The use of simplified cost options always requires the development of a regional/national methodology to underpin the rates to be used.

**Option 2.2 (*proportional approach*)**, allows for reimbursement based on real costs or on the simplified cost options i.e. as in option 1, but with additional possibilities facilitating the use of simplified cost options and reinforcing a more result based approach: for example introduction of flat rates at EU level, acceptance of rates established for other EU funding instruments or application of already existing national funding models. The detailed possibilities could vary according to the specific types of operations.

Under **option 2.3 (*prescriptive approach*)**, payments to projects are based only on deliverables with corresponding amounts or rates agreed beforehand.

## 4.3. Relation between the EGF and the ESF

The options considered differ exclusively in the organisational set-up, which is essential as problem analysis and stakeholders' views demonstrate. Content-wise the usefulness of an emergency instrument to support people hit by major unforeseeable economic turbulences has not been put in question. The questions of where and how exactly to put eligibility thresholds will be discussed in the upcoming ex-ante evaluation<sup>88</sup>.

**Option 3.1** corresponds to the ***no policy change*** with the EGF operating without a proper budget outside the MFF. The absence of an own budget line and financial arrangements implies the approval of the Budgetary Authority on a case by case basis. However, efforts will be made to shorten the time gap between application for and payment of EGF support. This will be pursued through further streamlining of the application process, requiring the submission of a complete application, making the provision of additional information an exception and limiting the time for Member States to submit this information, providing for the adoption by the Commission of the financing decision 'sous clause suspensive' at the same time as the Commission adopts the Proposal for a Decision to mobilise the EGF.

Under **Option 3.2**, the actions currently carried out under EGF are ***incorporated into the ESF***. A specific ESF component comparable to the Community initiatives which existed in

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<sup>88</sup> The recently adopted MFF 2014-2020 proposal extended the scope of the EGF to include assistance to farmers whose livelihoods may be affected by globalisation. This has been driven by the need to facilitate the adaptations required by international trade agreements. The extension of the EGF's activities to cover farmers may require a change of/ addition to its framework, scope, tools and implementing arrangements to ensure that the new policy objectives are achieved. Budgetary issues are also to be considered as the new MFF proposal is earmarking up to 2.5 billion € of the EGF to be used for agriculture. The legal, policy and budgetary consequences of this extension of the EGF activities need to be further assessed. This would also cover aspects such as triggering mechanism and the consistency and complementarity with the CAP in general and with rural development measures in particular. This analysis will be part of an ex-ante evaluation.

previous programming periods will be created. This component focuses on emergency aid to workers affected by large-scale redundancies and farmers suffering from the indirect effects of globalisation. Main justification for such support will be changes in the global division of labour or other factors having a significant adverse impact on the regional or local economy, including large unforeseen cyclical downturns, similar to the present economic and financial crisis.

**Option 3.3** is the EGF as a *stand-alone fund with its own budget line* within the Multiannual Financial Framework (MFF). The intervention criteria, scope, intervention rate and type of measures would be identical to the ones in *option 3.1*. Under this option the Commission services take decisions on each EGF application. The approval of an application leads to a grant agreement with the applicant Member State.

#### **4.4. Links between the ESF and the direct management instrument**

**Option 4.1** is *no policy change* which means that, EURES, the European PROGRESS Microfinance Facility and the EU programme for employment and social solidarity - PROGRESS continue to exist as separate instruments running alongside the ESF. The PROGRESS programme does not include the gender equality and anti-discrimination strands (amounting together to 35% of the overall budget) which are incorporated into the new generation of JUST programmes<sup>89</sup>. The current Progress Microfinance Facility continues to provide guarantees and funding under joint management with the European Investment Fund, with a last investment in 2016 without new extra resources. Member States are still able to set up holding funds (e.g. under JEREMIE) with ESF resources to provide funding and guarantees to microfinance providers. ESF continues to support generally entrepreneurship and self-employment through the financing of training, mentoring and, in some cases, capacity building of microfinance providers.

No dedicated capacity building funding for microfinance providers is foreseen. Some awareness raising and exchange of good practices are financed out of the ESF technical assistance.

**Option 4.2** is *a new integrated programme for employment, social policy and inclusion* (Social Development Agenda) implemented through direct management. Such an EU-level instrument complements the ESF (shared management). Both instruments together constitute the comprehensive European Employment Initiative, as called for by the Budget Review Communication (p 15).

The new programme is made up of three strands:

1. PROGRESS strand covering employment, working conditions, social protection and social inclusion. An important financial support is provided for testing and scaling up cost-effective experiments or projects in the areas of employment, poverty reduction and social inclusion.
2. EURES strand covering services at EU level related to both outgoing and to incoming placements targeted mobility schemes at EU level and involving both Public Employment Services (PES) and Private Employment Services.

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<sup>89</sup> COM(2011) 500 final. A Budget for Europe 2020 - Part II - Policy Fiches - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

National EURES activities would not be covered any more as they already fall under the scope of the ESF.

3. Microfinance/Social Entrepreneurship strand covering the strengthened facility for microfinance and providing financial support to social enterprises. Under this strand, the EU continues to provide guarantees and funding to microfinance institutions under joint management with the EIF. New elements are capacity building support to microfinance institutions (in the form of loans, equity or grants) and to social investment funds (through equity instruments, debt and risk-sharing instruments and grants) for the development and scaling of social enterprises. Member States are still allowed to use ESF funding to set up their own holding funds, as under option 4.1.

**Option 4.3** corresponds to the establishment of a **single financial instrument for employment and social affairs under the banner of the European Social Fund**. Such a new ESF has both shared management (to cover the existing ESF and the EGF) and direct management components. The latter includes the actions currently carried out under the PROGRESS programme, the Micro-Finance Facility complemented by a financial instrument to support social enterprises, and EURES.

Under the direct management component, PROGRESS strand covers employment, working conditions, social protection and social inclusion policy fields as well as social innovation projects.

The current Progress Microfinance Facility continues to provide guarantees and funding under joint management with the European Investment Fund, with a last investment in 2016 without new extra resources. Under shared management, Member States use (possibly ring-fenced) ESF resources to support micro-finance activities at national level (in the form of guarantees and funding including an allocation covering part of the operational costs) and social enterprises. Technical assistance resources could be used for specific capacity building measures aimed at microcredit providers.

Under direct management, the activities are limited to awareness raising and general support to policies in the area of self-employment and entrepreneurship.

## **4.5. Options not analysed**

### **4.5.1. No-funding**

The no-funding policy option would see the discontinuation of European financial support to help developing and introducing active labour market policies, effective lifelong learning, instruments to promote labour mobility, and adequate social security systems. This would directly affect several millions of citizens annually; end the most tangible expression of EU solidarity; and greatly diminish the capability to promote EU employment and social policy objectives:

- The no-funding option would mean that actions usually funded under ESF (i.e. supporting people to improve their skills and job prospects; encouraging self-employment and entrepreneurship; and intra-EU labour mobility ) would instead be solely reliant on national measures. It is doubtful that in the lesser developed Member States and regions national resources would be available to take over this role.

- The EU would also lose the most visible sign of the common employment and social policy ambitions as formulated in Article 151 of the TFEU. Due to its impact on the ESF, the no-funding option would in turn affect the cohesion policy as a whole thereby jeopardising the promotion of economic, social and territorial cohesion, and solidarity among the Member States and regions.
- Moreover, as EU funding has been shown to work as a catalyst, the ability to promote and facilitate reforms, as well as to empower stakeholders who have a crucial role to play in the delivery of reform would be severely diminished.

#### **4.5.1. Focussing ESF operational programmes**

The Commission staff working paper (SEC(2011)868) accompanying the June Budget package raises the issue of the focussing of funding of ESF operational programmes. The reasons for not taking up the options considered up in this report are as follows.

Concentration should be achieved firstly by strengthening the link with the country assessment and the country specific recommendations. This allows for an approach which is flexible and common to all Structural and Cohesion Funds. As such this is the subject of the General Regulation and its Impact Assessment not of the fund specific Regulations and Impact Assessments.

#### **Focussing of Cohesion Policy Operational Programmes**

Focussing operational programmes (ESF and non-ESF) will be achieved through a process of strategic programming and an increased attention on performance. Broad thematic objectives are defined in the General Regulation. In the June Budget communication (COM(2011)500), the Commission decided that the ESF should focus on four of these<sup>90</sup>. Based on their NRPs, the Country Specific Recommendations and their own ex-ante evaluation, the Member States will select which ones it should concentrate on. This selection will be fixed in Partnership Contracts and operational programmes. For each thematic objective, the fund specific regulations will define detailed investment priorities which will correspond to specific objectives to be pursued under the Operational Programmes. It should be noted that the actual selection of projects remains a competence of the Managing Authorities. However, actions that can not be shown to contribute to the intended specific objectives will be ineligible.

Progress towards the specific objectives is to be monitored through a reinforced monitoring and evaluation system. Each Priority Axes of an Operational Programme will require the identification of milestones on the basis of financial, output and result indicators in order to assess performance. A performance reserve will be available to reward the better performing programmes.

While the system sketched above does not mechanically avoid fragmentation of resources, it is judged to offer a powerful yet flexible way to achieve it.

<sup>90</sup> They are: employment promotion; investment in skills, education and life-long learning; social inclusion and the fight against poverty; and enhancing institutional capacity and efficient public administration.

## 5. Analysis of impacts

Taking into account the nature of the options the analysis of impacts will focus on a qualitative analysis, demonstrating which causalities will be dominant under each option.

This analysis focuses on social and economic impacts. On a very general note all the instruments are expected to facilitate or mitigate the change of economic, including employment, structures.

As mentioned in the objectives section, although employment and social policy will have environmental impacts, these impacts depend on the concrete implementation, i.e. in the case of the ESF on the Operational Programmes and the actual projects funded and not directly on the legal provisions. However, the different instruments are expected also to facilitate the transition to a low-carbon economy notably through targeted vocational training and re-training towards "green-collar" job opportunities, addressing emerging skills bottlenecks and supporting the development of know-how for low-carbon technologies as a basis for innovation.

### 5.1. The scope of the ESF

Under *Option 1.1* the ESF covers policies and actions leading directly or indirectly to employment. It is placed between options 1.2 and 1.3. While this option maintains the clear focus on employment and is therefore also in line with social partners' request to focus on employment and with EMCO's opinion, it includes also those at the margins of or outside the labour market, which has it in common with option 1.3.

Applying a broad interpretation of indirectly leading to employment, would bring option 1.1 very close to option 1.3. One could basically do everything which helps a working age or younger individual to be integrated in society, while maintaining the objective of integration into work, whereby work might not necessarily mean first labour market. However, it could also result in a more stringent focus on labour market related issues, making it difficult to support early education or primarily social and health issues, while ensuring that interventions keep an economic rationale.

From an administrative point of view several MS would appreciate to continue with this approach as it could avoid new groups of stakeholders wetting their appetite to obtain ESF funding, which could mean it becomes more difficult to concentrate the funds.

In economic terms *Option 1.2* – an ESF narrowly focussed on policies and actions leading directly to employment (including support to education, but only tertiary education and vocational education) – ensures ex-ante a concentration of the ESF on economically relevant tasks, namely inserting people into the labour market or improving their skills. Both can be expected to improve the productivity of those trained or counselled and can in so far translate into economic growth. Social partners stated that they consider this – in line with the Treaty provisions – as the core of ESF activities. Evaluations and studies provide insights in the benefits of these types of investments<sup>91</sup>. Institutional capacity building of labour market

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<sup>91</sup> See for instance: Study on the return on ESF investment in Human capital by Eureval/Ecorys/Rambøll Management for DG EMPL and completed in (August 2010). Card, D., J. Kluge und A. Weber (2010), Active Labour Market Policy Evaluations: A Meta-analysis. Economic Journal 120 (548): 452-477; 'Active Labour market policies for the Europe 2020 Strategy: ways to move forward' publication by the Flemish Department of Work and Social Economy in cooperation with the Research Institute for Work and Society, the European

related institutions should lead to better matching between jobseekers and available jobs, swifter transitions to a job due to tailored assistance taking into account labour market demands and thus contributing to achieving the employment rate.

Nevertheless, the economic benefits of an ESF exclusively limiting itself to this area would be rather limited. It could even mean to consolidate labour market and social segregation by only supporting people in or close to the labour market. Looking more into the social impacts of this option, the horizontal principles of anti-discrimination but also innovation e.g. developing new approaches to work-life-balance might become more difficult to support. Innovation often requires that things which were seen separately before can be looked at in a more integrated way or that a different perspective becomes possible. A labour market focus would tend to imply a focus on individuals whereas barriers to employment may lay beyond for instance the household. Focussing the ESF exclusively on labour market integration and training is likely to be too narrow also when seen from this angle.

**Option 1.3**, broad scope of ESF, extends the scope to the fields of social inclusion and health, irrespective of whether inclusion into the labour market is an issue. This option allows the greatest flexibility to adapt to the wide range of challenges throughout the Union. It is also in line with broad political decision placing in the context of Europe 2020 a stronger emphasis on the fight against poverty. By investing more substantially in ensuring access to high quality, affordable, and sustainable services to vulnerable groups, anti-discrimination measures and in access to health care. A broad scope is also more in line with the opinions of the EESC, the CoR and of the ESF Committee ad hoc group on the future and was generally supported at the ESF conference in June 2010. The SPC for its part has called for an ESF better fitted to support the social protection, health and long-term care OMC strands.

This option will have no difficulties to work with those groups which are not likely to find employment without public support. In so far deadweight losses and substitution effects might be lower and the economic benefits in terms of avoided costs for the social security system of this option are likely to be higher than for option 2. Still it should not be overlooked that with this approach the immediate effect on productivity is probably lower, as medium and high-skilled which are already in employment – or those close to the labour market – will receive less support.

Indirect economic costs of the persistence of large scale inequalities in health are potentially considerable but difficult to estimate. One of the few studies that has attempted to do so estimated that the potential economic gain which would occur if it was possible to bring the health of the whole population up to the level of health experienced by those with higher education would be between 1.2% and 9% of the EU GDP<sup>92</sup>. Therefore, high levels of health (i.e. reducing unnecessary ill health and premature death) for all sections of the population are important in the context of an ageing population to allow longer working lives and support higher productivity and employment levels. Avoidable ill-health also means large costs for health systems and puts unnecessary pressure on public budgets.

A comprehensive activation strategy which in some MS will be needed to achieve the 75% employment target could well be supported under this option. It could make possible the

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Commission and the City of Antwerp (Presidency Conference of October 2010) and Employment in Europe 2006.

<sup>92</sup> Mackenbach, J. P., Meerdering, W. J., Kunst, A. E., 2006 Economic implications of socio-economic inequalities in health in the European Union, Erasmus MC, Department of Public Health, Netherlands for the European Commission

support of people who might be in a position to take up employment only after a series of interventions. Managing Authorities might also be in a position to support interventions not likely to lead rapidly to employment, but helping people not to drop out from society.

While the ESF budget is limited and direct income support is not part of this option, any other support which could contribute to lifting people out of poverty, which could e.g. be a neighbourhood project or a youth centre, is within the scope of this option.

This option has a considerable social potential in terms of actual benefits but also in terms of innovation though it will largely depend on the Managing Authorities to make use from these additional flexibility. They are aware that this bears a challenge for them as they will have to be even more precise when developing the OP, so as to allow sufficient practical concentration which is required for administrative purposes and to be able to show the impact of the programme. Compared to other options, this option has the most potential beneficial impact on fundamental rights as in addition to the promotion of the principles of non-discrimination (Article 21), gender equality (Article 23), integration of persons with disabilities (Article 26), right to access to placement services (Article 29) or right to fair and just working conditions (Article 31) it would also provide for funding of actions relevant for the exercise of the right to health care (Article 35) or education (Article 14).

Two risks are associated with broadening the scope of intervention, increased overlaps with other EU instruments<sup>93</sup> and an increased fragmentation of support and the possible consequence of lacking critical mass to make a real difference.

The risks of overlap are minimised by different emphases of the different programmes. For instance the "Education Europe" programme promotes the international mobility of young persons in education or training, while the ESF focuses on the mobility (essentially occupational) of workers. Possible overlaps with other funds in shared management are to be addressed through the Common strategic Framework and the National Partnership Contracts which will cover the ESF, the ERDF, the CF, the EAFRD and the EMFF.

It is not possible to fully anticipate the possible fragmentation of support. This is because the actual allocation of funds will be decided in the context of negotiations of regional and national operational programmes and can therefore not be assessed ex-ante. There are however, three factors that should help mitigate these possible effects.

The major factor is that the negotiations on the new operational programmes will be conducted in a much tighter framework of strategic programming putting a much greater emphasis on the performance of the future programmes. Moreover, the definition of minimum shares of ESF allocations per category of regions<sup>94</sup> should ensure that a critical mass of funding is achieved.

Finally while the scope is widened it is not in a dramatic manner. The number of investment priorities is an indirect though imperfect measure of the scope. In the draft regulation, the extension of the scope translates into two investment priorities on a total of 18. Costly infrastructure interventions (f.i. school buildings) remain outside the ESF scope but are in the scope of the other instruments of cohesion policy. This should increase the possible synergies between interventions co-financed by the different funds.

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<sup>93</sup> Notably "Education Europe", "Justice and Fundamental Rights for Citizens" and "Health for Growth"

<sup>94</sup> June Budget Package: COM(2011) 500.

**Option 1.4**, broadening the scope of the ESF towards income support does not meet much appreciation. The CoR for instance explicitly advocates the continued linking of income support with activation measures as is currently the case.

In the European Union, out-of-work income maintenance and support in 2009 amounts to nearly 164 € billion<sup>95</sup>. This is nearly 15 times the current ESF budget on a yearly basis. The spending by Member States and regional authorities on passive measures is therefore of a completely different order of magnitude than the funds potentially available for the ESF<sup>96</sup>. Furthermore, providing income support is following the subsidiarity principle first and foremost an obligation which should be met by national or regional institutions. The operational costs of social security schemes are to be paid from national sources. Supporting passive measures would change the character of the fund and may even be in contradiction with the Treaty provisions. Moreover, any amount spent on passive measures is not available for the other activities where a European Added Value can be identified.

## 5.2. Simplification

Though the main purpose of the simplified cost options is to reduce the error levels, the reduction of administrative burden is potentially very significant. If beneficiaries apply for one or more of the three options, they would need to retain a considerably lower number of accounting documents, both to comply with periodical audits, and to show proofs of expenditures when requesting payments. A study conducted by CEPS concludes these options could reduce the administrative costs and burdens by nearly 17% for the Cohesion Policy as a whole. For the ESF the potential reduction is even larger as approximately 75% of operations funded may benefit<sup>97</sup>. The actual reduction is more difficult to quantify or predict. It depends on the speed with which the simplified costs options are introduced and also whether they are widely applied or used only for specific cases.

Under **Option 2.1 – No policy change**, payments based on real costs provide assurance that EU funds are used towards co-financed projects. In its 2009 Annual Report, the European Court of Auditors highlighted that "in the Cohesion area, a significant reduction in the error rate has been noted compared to previous years. The frequency of errors has also decreased in the last three years." Under a situation of no policy change, there is scope for further reduction of the error rates.

Managing a real cost system can lead to a higher error rate and disproportional management costs. This is particularly an issue for the ESF with many final beneficiaries implementing relatively small operations. The real cost system is one of the main reasons why implementation of cohesion policy is perceived by many beneficiaries to be overly complex. In the 2007-2013 period, first steps have been made to introduce simplified reimbursement options – flat rate for indirect costs, standard scales of unit costs and lump sums. The initial reaction from Member States has been positive and encouraging with great interest for the uptake of some of these solutions. The development of initial methodologies for the establishment of a flat rate or standard scale system has proved more time consuming and

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<sup>95</sup> Eurostat: LMP data for 2009. [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

<sup>96</sup> During the programming period 2007 – 2013, the budget available for ESF was nearly 76 billion €. The MFF foresees that the ESF should amount to at least 84 billion € for the seven year programming period 2014 – 2020.

<sup>97</sup> Measurement of administrative burdens generated by the European legislation; Prepared by CEPS for the Directorate General of Enterprise and Industry of the European Commission under Specific Contract No. SI2.546728 implementing Framework Contract No. ENTR/2006/006 – Lot 4. Second interim report - first part: AB quantifications

resource intensive than expected by Member States and the Commission. Overall, a reimbursement based on real costs has remained the most common even if in some ESF OPs simplified cost options are now the option by default (Flanders, England).

**Option 2.2 – Flexible approach** would make it easier for national/regional authorities to use the optional simplified payment options, providing alternatives to a system based on real costs which can often lead to unnecessary complexity and a disproportionate administrative burden. The experiences in some ESF operational programmes with public tendering instead of calls for proposals and with simplified cost options show that it is possible to simplify for the beneficiaries thereby dramatically reducing error rates. Furthermore the use of standard scales of unit costs and lump sums have the potential to place outputs and results at the focus of programme implementation.

As the use of the different systems would remain voluntary, this option should ease the transition to a range of simplified cost options for certain types of projects, parts of programmes or programmes and at the same time still allow for reimbursement based on real costs for all other projects.

A possible drawback is the complexity associated with running simultaneously different systems though this should be mitigated by their voluntary nature. Moreover these systems require a much bigger ex-ante investment to put them into place than the more common payment against expenditure.

The detail of expenditure would not be checked any more under **Option 2.3 – Prescriptive approach** making it potentially the simplest system. Moreover, basing the payments to projects based on deliverables should increase the focus on deliverables and render the system more accountable in terms of the results achieved. The main difficulty with this option is avoiding "creaming" effects (selecting projects where attainment of deliverables is simple, rather than projects which are more necessary). Moreover, this option can be expected to stifle some operations where deliverables are difficult to precisely define and cost before hand, particularly the more innovative ones. This is likely to be especially the case for the actions contributing to the promotion of social inclusion and combating poverty and to institutional capacity building. Under Option 3 negotiations between the Commission and the Member States on the future operational programmes can be expected to be significantly more complex. The start-up of the actual programmes might also be affected. Furthermore under this option the transparency would be reduced as underlying costs would not be checked anymore.

### **5.3. Relation between the EGF and the ESF**

Under **Option 3.1 - no policy change** the EGF will not have an own budget. That means that following each application the budgetary authority has to take a decision whether this situation merits support. The main disadvantage of this situation lies in the long delays implied by the administrative procedures. Taking into account that such decisions have to be prepared and often negotiation is required, the process will continue to take considerable time and resources. Considering the experience collected with the implementation of the EGF so far it seems ambitious but possible to speed up the process and reduce the average time needed to process an application to around 8 months, which would be a 3-4 month reduction. Main instruments could be a simplification of intervention criteria, which would also make the final decision more predictable for the applicant. In doing so, the delay of 8 months is no longer of such importance, as the measures could in many cases start earlier. The use of a financing decision "sous-clause-suspensive" could further reduce the time lag between an

application and the disbursement of the aid. Up to now no application has been rejected by the budgetary authority. However that risk does exist and rejection could mean that Member States would have started to spend support funding which finally is not granted.

Taking the money from the margins of the budget allows for a high flexibility of the instrument, which is in line with previous experiences. Requests for payments varied considerably in the past, between 20.6 million Euro in 2008 and 132.5 Euro in 2010. Furthermore it avoids the impression that there is a defined budget which is waiting to be spent. This organisation clearly signals that this is a support which is given in exceptional circumstances and outside the usual routines. It also raises awareness in Parliament of mass lay-offs by involving it in the actual funding decision. This might help to bring the Parliament closer to the citizens and their concerns. Finally the high visibility of each application also puts high expectations on the quality of the measures to be carried out.

This institutional arrangement means also that the EGF remains visible and cannot be mistaken to be a minor part of the ESF.

Under **Option 3.2**, the EGF actions are *incorporated into the ESF*. The integration of the EGF into the ESF increases coherence, promotes complementarity between preventative and curative measures and shortens the decision-making process. It simplifies and streamlines the management of individual EGF applications as the EGF could benefit from ESF structures and procedures in the Member States, as well as ESF management and control systems in a more direct way than this is the case in the no policy change situation. The rules for reimbursement of expenditure are adapted, by integrating ESF simplifications in eligible costs and project design, reducing administrative burden. Option 2 will provide dismissed workers with more and better targeted support for their reintegration into employment compared to a situation without EU support.

The disadvantage of option 3.2 is that an EGF integrated into the ESF would need a clear budget allocated to it. This could suggest that this budget is to be spent within the programming period yet large redundancies can not be programmed. This runs counter to the aspect of support in extraordinary situations. It also runs counter to the overall allocation criteria used in cohesion policy whereby Member States and regions are allocated a known quantity of EU funds. A decision making process which would not involve the budgetary authority (Council and European Parliament) would also reduce the political visibility of EU intervention.

**Option 3.3**, an EGF as *a stand-alone fund with its own budgetary envelope* ensures a high visibility of European solidarity with workers made redundant. However a certain degree of overlap with the ESF remains whereas there is a need to increase the added value of the different EU instruments by improving the synergies between them rather than risking competition and overlaps. This is recognised by the Budget Review (p.13) which calls for beneficiaries of EU support to "be offered a consistent set of programmes complementing each other and allowing for 'smart specialisation' rather than being confronted with a multitude of partially overlapping schemes and different rules".

In terms of effectiveness and European added value this option is very similar to option 3.2. The efficiency of the delivery mechanism will come at a cost compared to option 3.2, as this option will not benefit from established ESF structures, procedures and simplification

In terms of efficient use of budgetary resources, this option presents a similar disadvantage as option 3.2, as it will earmark for a variable pattern of expenditure a fixed amount of resources within the MFF.

#### **5.4. Links between the ESF and the direct management instrument**

Assessment of social, environmental and economic impacts is particularly difficult in the case of PROGRESS which is not a funding programme (like the ESF) but rather a financial tool helping the Commission to fulfil its role according to the Treaties. The programme's deliverables (analytical activities; mutual learning, awareness and dissemination activities; support to main actors) feed into all stages of the EU policy-making process such as formulation, development, adoption and subsequent implementation of legislative and non-legislative policy initiatives in the areas covered by the programme. These specific policy initiatives supported by PROGRESS are, when relevant, underpinned by their own Impact Assessments. Analysis of the option and their subsequent comparison is therefore carried out against the criteria of effectiveness, efficiency and coherence.

The *no-policy change option (4.1)* would provide for the continuation of Progress, EURES and the Microfinance Facility as stand-alone instruments alongside the ESF.

The objectives of a successor instrument to Progress would be optimally aligned on Europe 2020 priorities. The programme's thematic scope would be limited to the employment, working conditions, social protection and social inclusion areas; however, in pursuing its objectives, the programme would promote gender equality and anti-discrimination dimensions. The programme would carry on with funding of its traditional types of actions (analytical and mutual learning activities, and support to main actors) which are considered as effective in meeting the programme's objectives<sup>98</sup>. Without the gender equality and anti-discrimination strands, the new programme would also be much smaller and as such would not have the critical mass needed to achieve its policy objectives.

The opportunity to increase policy coherence by enlarging the programme's thematic scope (to social innovation; self-employment and entrepreneurship including through the microfinance facility; and intra-EU mobility of workers through EURES) is missed. There are no efficiency gains that could derive from the rationalisation of EMPL financial instrument implemented through direct management.

Under this option, no action would be taken to address in particular the issue relating to EURES administrative structure which is complex and needs revision and streamlining.

In the case of the Microfinance Facility, this option would miss the opportunity to embed microfinance in a general approach towards supporting entrepreneurship as a means to create jobs and fight exclusion. With separate instruments at EU level, support to microfinance institutions would continue to be fragmented with technical assistance (e.g. training, rating etc.) being delivered under a different instrument than the loans and guarantees for microfinance institutions, or the funding for capacity building. This means the policy coherence would not be improved. Microfinance providers would continue to suffer from this complicated setup at the EU level. Moreover, the European added value of such separate instruments would be reduced: even though some individual Member States might continue to

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<sup>98</sup> See Interim report of PROGRESS mid-term evaluation and annual performance monitoring reports (2007-2010). Respondents to the public consultation, including national authorities, made also a strong case for the continuation of the analytical and mutual learning activities which are considered as highly relevant to the EU objectives in the employment and social policy field.

provide support, they would not be able to satisfy the very high demand for microfinance from those who want to become self-employed or stand/develop a micro-enterprise as they could, for instance, not so easily attract extra-resources from international institutions like the EIF if they operate exclusively on a national or regional scale. In addition, the opportunity to promote social enterprises would be lost, which means that the shortcomings of Progress Microfinance with regard to this particular target group would not be addressed.

The main advantage of *option 4.2* is a high degree of rationalisation of EMPL financial tools. This option would enable the Commission to increase policy coherence and impact of its instruments which pursue common objectives in the employment, social affairs and inclusion fields. For instance, PROGRESS, EURES and the European Microfinance Facility contribute to the implementation of the European Employment Strategy. In addition, the current Progress programme (2007-2014) already promotes a number of activities linked to labour mobility and relevant for EURES activities (such as cooperation between the Heads of Public Employment Services, funding of the European employment observatory, ESCO<sup>99</sup>, several studies and statistics on matching skills and jobs, etc.). It also finances the operating costs of the European Microfinance Network which promotes the use of the Microfinance Facility. Further complementarity between these three instruments is therefore essential. In particular, the aim of improving self-employment and geographical mobility cannot be achieved in isolation from other policies (ex. flexicurity, labour law, health and safety at work) supported by Progress. Gender and anti-discrimination mainstreaming would be promoted in all strands and annual monitoring would focus on measuring the extent to which these dimensions are addressed across all other activities<sup>100</sup>. This thematic scope would be in line with both the recommendations of PROGRESS stakeholder working group and the view of the respondents to the public consultation<sup>101</sup>.

Regarding the new programme's design, creating three strands (Progress, EURES, Microfinance and Social Entrepreneurship) would be necessary given considerable differences between the three instruments regarding their respective types of actions, beneficiaries, geographical coverage and management mode. However, the Progress strand would be considerably redesigned in comparison to the current programme: its policy sections (employment, social protection/social inclusion and working conditions) would be removed in order to address policy challenges in a coherent and integrated manner.

PROGRESS strand would cover the programme's traditional types of actions (analytical and mutual learning activities, and support to main actors) which are considered as effective in meeting the programme's objectives<sup>102</sup> and should therefore be carried on in the new programming period. In addition, this strand would support social innovation in particular through awareness raising, capacity building and mutual learning activities; it would also provide funding for projects designed by public authorities to test reforms of their social protection and active labour market policies and social services delivery systems<sup>103</sup>.

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99 ESCO stands for the European multilingual taxonomy of Skills & Competences, qualifications and Occupations.

100 This is in line with the results of the public consultation and the Progress mid-term evaluation calling for better mainstreaming gender equality and anti-discrimination issues in the new instrument. See section 1.4.3.

<sup>101</sup> See Section 1.4.6.

<sup>102</sup> See Interim report of PROGRESS mid-term evaluation and annual performance monitoring reports (2007-2010).

<sup>103</sup> In addition to the direct management funding, a share of the budget managed by the Member States in the context of the ESF mainstream should be ring-fenced for financing social innovation and experimentation projects.

Under this option, a new impetus would be given to EURES<sup>104</sup>. In the current programming period, EURES actions have been focused on ensuring information and transparency on European vacancies and CVs. In line with the Europe 2020 Strategy and the commitments taken in the "New Skills and Jobs" flagship initiative, EURES services would be much more pro-active and focused on tangible and visible results in terms of out-going and incoming placements and recruitment. It means that, in addition to its traditional activities, EURES would provide financial support for targeted mobility schemes at EU level with a view to help a) fill bottleneck or hard-to-fill vacancies (where market failures have been identified), b) specific groups of workers (such as young people) to find a vacancy in a country different from their origin country. These services would involve matching, placement and recruitment, and active preparation to post-placement assistance for successful integration into labour markets. Currently, these services are being developed as the preparatory action "Your first EURES Job". .

As far as the Micro-finance and Social Entrepreneurship strand is concerned, adding funding for capacity building of microfinance institutions will allow increasing the absorption capacity of the market, responding to a recurrent demand from the sector. It would also take further the EPPA initiative, a European Parliament Preparatory Action in this field which ended in 2011.

An integrated programme would furthermore allow creating synergies between the different elements of microfinance support: microfinance institutions would apply for a whole support package instead of filing applications for the funding or guarantees for the loan portfolio, funding for institutional capacity building and technical assistance for professional management and approaches separately as is currently the case: technical assistance is delivered under the JASMINE programme, while funding and guarantees are given under Progress Microfinance, and funding for capacity building under EPPA (currently not available anymore). This would not only simplify the application procedure for microfinance institutions, but give the opportunity to the Commission to better link the different elements: for instance by making funding conditional on fulfilling the objectives set in terms of institutional development and identify during the application for funding the needs in term of capacity building. This would address the requests from the sector expressed in the consultation.

The incorporation of the microfinance facility into the new integrated programme will also better ensure the coordination with the general entrepreneurship support provided by the Commission. The same is true for the investment into social enterprises which make an important contribution to the achievement of the Europe 2020 objectives, especially the social and employment targets, and play a crucial role with regard to social innovation<sup>105</sup>.

The integrated programme would focus on large projects with clear EU added value in order to reach critical mass and reduce administrative burden. Harmonised and simplified rules and procedures would be put in place to facilitate access to the programme, in particular for small organisations. Lump sums and flat rates would be used, in particular for projects implemented under EURES. In addition, multi-annual programming would be developed to set out long-term policy objectives alongside annual funding priorities, thereby ensuring that the

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<sup>104</sup> Preparing the new MFF provides an opportunity to significantly reform EURES by incorporating national and cross-border region activities into the ESF operational programmes managed by the Public Employment Services with a view to a) support mobility of workers; b) help companies in recruiting from abroad (ex. organisation of and participation in Job Fairs) and c) develop the logistics for the clearance of vacancies and CVs.

<sup>105</sup> In addition to the support for microfinance at EU level (as it is currently done through the European Microfinance Facility), crucial for bringing economies of scale and additional leverage, the Member States would have the possibility to use the ESF resources, through their Operational Programmes, to support micro-finance activities at national/regional level.

programme is a genuine policy-driven instrument. The programme would be implemented through a results-based management approach based on regular monitoring of progress against clear indicators. Lastly, further to the lessons learned from the current programming period<sup>106</sup>, flexibility arrangements will be used to ensure that financial resources can be easily re-allocated in order to effectively react to external developments and changes in policy priorities.

This option would therefore be in line with the Budget Review Communication calling for both integrated instruments and a strong coordination to deliver the Europe 2020 objectives. These actions carried out at European level would also bring about stronger EU dimension and complementarity to the ESF which invests in the implementation of employment and social inclusion policies in the Member States.

The main difference between *option 4.2* and *option 4.3* is that all three instruments (PROGRESS, EURES and the Micro-finance Facility) are regrouped as an ESF component for direct management.

A single instrument certainly would enhance the coherence of EU budget support and achieve critical mass (with the ESF part). It would also ensure real synergies and complementarity of all EMPL instruments as well as strengthen the visibility of EU action. However, the efficiency of a single instrument made up of two components implemented according to completely different management rules (i.e. shared, direct and joint management) is questionable.

While thematic scope of PROGRESS would remain the same as under *option 4.2*, its geographical coverage would considerably be reduced because of the ESF legal basis which limits the Fund's interventions to the EU Member States. This would not be in line with the programme's stakeholders who, in the public consultation, do not question the current geographical coverage (EU Member States' national authorities) or clearly support it (non-EU countries)<sup>107</sup>.

For the microfinance facility, EU added value of this option is similar to *option 4.1*. In terms of effectiveness, it would be difficult to ensure a strong link between capacity building and funding for microfinance institutions.. Economies of scale and leverage would be lost in comparison with an action on the EU level. An advantage would be the potentially stronger link between the ring-fenced resources for microfinance and the entrepreneurship support activities in the Member States under the ESF. However, considering that, depending on the outcome of the negotiations in Council, ring-fencing might not be applied, *option 4.3* bears the risk of an uncertain and unequal investment in microfinance and social enterprises.

Moreover, it is important to note that the political suitability and acceptance of this option hinges on an adequate role being given to employment and social affairs bodies within the Council and the European Parliament (at least for the non-cohesion policy aspects), as opposed to it being exclusively considered by instances responsible for cohesion policy (EP REGI Committee and the Structural Affairs Working Party).

## 6. Comparing the options

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<sup>106</sup> See Section 2.4.1. Delivery issues.

<sup>107</sup> See Section 1.1.3.

The comparison of options is purely qualitative. The set of objectives and policy options are not likely to be assessed by traditional quantitative methods for evaluation (like cost benefit-analysis) because they are not quantifiable in monetary terms.

### **6.1. The scope of the ESF**

A broad scope is likely to favour efficiency since more actors can be involved and programmes more easily tailored to local needs and established delivery systems. However, the broader the scope, the more likely it is that a wider range of actors will make claims on the fund. This makes the formulation and negotiations of the operational programmes more difficult both between Member States or regions and local partners and between the Commission and the Member States and region. A broad scope could therefore come at a cost of effectiveness if this leads to a sprinkling of uncoordinated interventions lacking critical mass.

These different ESF scope options can be compared in terms of their potential contributions to the ESF specific objectives. It is not possible to assess the actual potential contributions since funding decisions about how much to allocate to a given policy area will only be taken in the context of negotiations with the Member States on the operational programmes. Nevertheless it is possible to assess potential risks and make judgments on that basis.

Clearly option 1.2 would contribute the least to the *specific objective institutional capacity and efficient public administration* as only actions in support of the employment services would be eligible. A number of interventions, for instance the administrative reform Operational Programme in Bulgaria, would cease to be eligible for ESF support. The greatest potential contribution to this objective is with *option 1.3* as it has the greatest scope of interventions related to this objective. Option 1.4 has the same scope but would see part of the available resources being drawn away to finance the income support measures.

By focussing the ESF resources on those interventions most likely to lead to a person taking up employment, *option 1.2* is judged to have the most immediate impact on the *specific objective promoting employment and mobility*. As options 1.1 and 1.3 represent a diversification away from core employment tasks, they are expected to contribute in a more indirect way, namely by allowing for a focus on long-term strategies towards activation. Option 1.4 is expected to contribute the least to the employment objective mostly because it would see part of the available resources being drawn away to finance the income support measures.

*Options 1.1 and 1.3* have the same wide scopes in terms of education. Since option 1.3 corresponds to a slightly wider scope, this may entail that it has the largest potential contribution to the *specific objective investing in skills, education and lifelong learning*. Option 1.4 is expected to contribute less than options 1.1 and 1.3 because of the resources drawn to finance income support measures. Option 1.2 is expected to contribute the least largely because only a rather limited number of interventions would be eligible. In particular, the ESF could not be used to address the issue of early school leaving.

*Option 1.3* is likely to be the biggest contributor to the *specific objective promoting social inclusion and combating poverty* essentially because it has the largest scope of possible interventions in support of this objective. The level of resources needed to make a significant contribution in terms of income support is such that hardly any additional contribution may be expected from making income measures eligible under *option 1.4*. At the same time, the resources used for income support will necessarily be drawn away from the other types of

interventions, including those contributions to the social inclusion objective. *Option 1.2* would be expected to have the least impact on the social inclusion objective.

Another consideration is that overhauls are always associated with important opportunity costs as the stakeholders need to adjust, also those that would cease to have access to the fund. Option 1.2 would constitute a major overhaul leading to an important caesura between the current programming period and the next one. The main difference between the ESF *scope options 1.1 and 1.3* lies in the interventions relating to access to services and anti-discrimination as well as in health and education even if not leading directly to employment. In order to ensure continuity between the two periods and to build on the experience built during this period, option 1.3 should be privileged.

**Table 6. Comparison of the scope options**

Options	Specific objectives				Opportunity costs
	Employment	Education	Inclusion	Institutional Capacity Building	
<b>1.1 – No policy change</b>	0	0	0	0	0
<b>1.2 – focus on employment</b>	+	--	--	--	+
<b>1.3 – broad scope</b>	=	=	+	++	-
<b>1.4 – broad scope including passive measures</b>	--	-	-	+	-

Legend: + means an increased impact (or opportunity cost) as compared to the no-policy change; - means a reduced impact. (or opportunity cost)

The assessment of the different options against the ESF specific objectives can also be used for a Multi Criteria Decision Analysis. The model that best fits the needs is the Analytical Hierarchy Process (HP). The Analysis is presented in ANNEX 7. The analysis confirms *option 1.3 – a broad scope for the ESF, as the preferred option.*

## 6.2. Simplification

The options considered here examine different reimbursement options. The main differences between them relate to what extent different reimbursement options can be introduced and whether these can or cannot be linked to results. Option 2.2 (proportional approach) is the preferred one. This is largely because it offers an increased flexibility in relation to options 2.1 and 2.3 (no policy change) leaving to Managing Authorities the widest possible range of possibilities to introduce the simplifications it feels confident with and which fit their needs. It is therefore also the option that is expected to deliver most on the operational objective. Option 2.3 is too prescriptive and would significantly complicate negotiations between the Commission and the Member States on the future operational programmes. It also entails major changes from the current period and therefore

**Table 7. Comparison of the simplification options**

	2.1 - No policy change	2.2 - Proportional approach	2.3 - Prescriptive approach
<b>Efficiency</b>	0	++	+
<b>Flexibility</b>	0	+	-
<b>Administrative burden</b>	0	+	-

Legend: + means an improvement as compared to the no-policy change; - means deterioration.

### 6.3. The EGF

In terms of the speed of delivery of EGF assistance options 3.2 and 3.3 are preferable. However, these options also include an increased risk of reduced efficiency because of the non-use of allocated resources. The involvement of policy makers under option 3.1 guarantees the highest level of public commitment of the EU to the welfare of redundant workers.

Therefore, *option 3.1* is the preferred option, offering as it does the necessary flexibility to enable an effective use of resources, without affecting the MFF. It contains scope to further simplify the delivery mechanism and thus improve the effectiveness of the assistance provided to dismissed workers.

**Table 8. Comparison of the EGF options**

	3.1 – No policy change	3.2 – incorporation of the EGF into ESF	3.3 - stand-alone fund with its own budget line
<b>Speed of delivery</b>	0 (+)	+	+
<b>Efficiency</b>	0	-	-
<b>Effectiveness</b>	0	0	0

Legend: + means an improvement as compared to the no-policy change; - means deterioration.

### 6.4. Links between the ESF and the direct management instrument

As far as other employment and social inclusion instruments are concerned, *option 4.1* should be discarded for the following reasons:

- **Efficiency gains** - the option would not allow for simplification and rationalisation of the existing instruments.
- **Critical mass** – the three stand-alone instruments would not have critical mass necessary to achieve meaningful policy objectives at EU level and bring EU added value.
- **Coherence and effectiveness** - this option would miss the opportunity to improve the coherence of EMPL fragmented financial instruments which, as such, would be less effective in contributing to the implementation of the Europe 2020 Strategy.

In contrast, *option 4.3*, involving the grouping of all the employment and social inclusion financial instruments within a common ESF Regulation, would offer the following advantages:

- **Critical mass** – this option would allow for achieving the critical mass needed to meet ambitious policy objectives.

- **Coherence and effectiveness** – combining EU-level actions (direct management) with the investment in the implementation of the employment and social policy in the Member States (shared management) would increase policy coherence and effectiveness. However, the respondents to the public consultation on the successor instrument to PROGRESS do not support the idea of merging the programme and the ESF while they consider that the complementarity and coherence between both should be strengthened<sup>108</sup>. The main suggestion from respondents to ensure coherence between both instruments is adequate coordination by the Commission. In addition, several respondents indicate that where the future EU financial instrument could identify best practices, the implementation should be a matter for the ESF. In this context, *option 4.2* is better adapted to ensure coherence between the ESF and the direct management instruments.
- **Efficiency gains** – combining completely different management modes (direct and shared management) would not allow for greater simplification neither for beneficiaries nor for the Commission.
- **Political and institutional obstacles - Option 4.3** should also be discarded because of the great it would come up against:
  - As part of the ESF Regulation, employment, social-policy and inclusion instruments would be seen exclusively from the viewpoint of cohesion policy and there would be no visibility for EU-level action linked to the development, coordination and monitoring of employment, social and inclusion policy and legislation on working conditions.
  - As a proposal for legislation introducing a single instrument would probably be negotiated by the regional policy bodies in Parliament and the Council, Parliament's EMPL Committee and the EPSCO Ministers might not have ownership.

*Option 4.2* is the preferred option as it would bring about the following benefits:

- **Efficiency gains** - compared to *option 4.1* (current situation), efficiency gains could be achieved thanks to a considerable rationalisation of EMPL direct management instruments, streamlining of their management rules and procedures and ensuring flexibility in allocating resources to changing policy priorities.
- **Critical mass** - the integrated programme would be a medium-sized EU instrument able to reach the critical mass needed to achieve its policy objectives.
- **Coherence and effectiveness** - bringing together all three direct management instruments which pursue common objectives in the employment, social policy and inclusion fields, would enable the Commission to increase policy coherence and impact of its actions. The synergy and complementarity with the ESF could be better achieved by adequate coordination by the Commission rather than by merging all these instruments implemented according to completely different management rules (i.e. shared, direct and joint management).
- **Political and institutional risks** – in comparison to option 4.3, this option would allow for avoiding the risks linked to the adoption of an excessively complicated ESF Regulation and any delays this could cause for the cohesion policy process.

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<sup>108</sup> This is also one of the main recommendations of both the PROGRESS mid-term evaluation and Key Stakeholder Working Group.

**Table 9. Comparison of the options for direct management instruments**

	4.1 – no policy change	4.2 – integrated direct management programme	4.3 – incorporation into the ESF as a direct management component
<b>Efficiency</b>	0	+	-
<b>Critical mass</b>	0	+	+
<b>Coherence and effectiveness</b>	0	++	+
<b>Political and institutional risks</b>	0	+	-

Legend: + means an improvement as compared to the no-policy change; - means deterioration.

## 7. Monitoring and evaluation

### 7.1. ESF

Under the existing Structural Funds Regulations monitoring and evaluation are primarily the responsibility of the Member States: their managing authorities are required to set up a monitoring system and to provide annual as well as a final implementation reports. In addition, Member States shall submit in 2009 and 2012 strategic reports on the contribution of the Funds to cohesion and the Integrated Guidelines for Growth and Jobs. In view of drafting the Operational Programmes, Member States shall carry out ex ante evaluations, during programme implementation on-going evaluations. The Commission shall carry out an ex post evaluation in partnership with the Member States.

The overall allocation of responsibilities will remain unchanged. However, as mentioned under point 2.2.1, the ex post evaluations of the 2000-2006 programming period have shown some weaknesses in the current ESF monitoring and evaluation systems: data quality remains uneven, data collection methods vary greatly among MS, no information is provided about intensity of support to individuals. This results in the difficulty to aggregate results at EU level or to assess longer term effects of ESF interventions on the individual participants and on Member States' economies and systems at large.

Against this background, the main focus of the future monitoring and evaluation system will be on setting minimum quality standards which ensure that monitoring produces robust and reliable data and evaluation focuses on assessing effectiveness and impacts of ESF support.

In addition to more strategic programming process, the Regulations will include the following provisions on monitoring and evaluation:

#### ***For monitoring and reporting***

- A limited number of common mandatory output and result indicators for all OPs (at present the Implementing Regulation only sets common output indicators)<sup>109</sup>. For the ESF the Commission has developed a number of output and results indicators with the support of a working group composed of representatives of MS. The indicators list will be inserted in the future ESF Regulation.
- Where applicable quantified target values linked to common indicators
- More stringent monitoring requirements

<sup>109</sup> A tentative list is provided in annex 8

- While the Annual Implementation Reports will be simplified for most years, in others the Member States are requested to assess Structural Funds contribution to achieving Europe 2020 objectives.

***For evaluation***

- Ex ante evaluation on each OP
- Each Operational Programme must be covered by an evaluation plan
- The monitoring committee shall regularly review evaluation activities, discuss findings and follow-up
- A tightening of the evaluation requirements for Managing Authorities. The evaluation of the effectiveness and impact of each priority axis will be mandatory.
- Member States shall prepare towards the end of the programming period a synthesis report which summarises their evaluations and analyses the findings and follow-up.

To support the transition to the new system, the Commission foresees

- A guidance paper on ESF monitoring and evaluation in the programming period 2014-2020;
- An expert hearing on MS experience on using counterfactuals in ESF evaluations in October 2011
- A high level conference on ESF evaluation involving major stakeholders in the first semester 2012
- "Learning seminars" for ESF managing authorities in 2012 and 2013.

Reviews of the implementation of the Funds are foreseen for 2017 and 2019 on the basis of strategic reports drafted by MS. An ex-post evaluation will be carried out by the Commission in 2023 in co-operation with MS.

As far as the costs of monitoring and evaluation arrangements are concerned, the current Regulation foresees that up to 4% of the funds can be allocated to Technical Assistance, which may finance i.a. activities related to monitoring and evaluation. For the time being approximately 3 % of the ESF-budget have been allocated to Technical Assistance (= €2.45 billion community funding). A research into the SFC database, which entails all implementation data sent by MS, has proven impossible to isolate more precisely expenditure for monitoring and evaluation from other expenditure supported under the TA, such as publicity and communication.

The new monitoring and evaluation arrangements will not increase significantly the administrative burden on MS. Indeed, the future General Regulation foresees that Technical Assistance remains limited to 4% of the overall Funds.

In cases where data collection is not up to technical standards (e.g. no electronic transmission of data), some MS will face initial costs for setting up adequate systems, but costs for running the system will most likely decrease in comparison to the current levels once system is performing. This is reported from several Managing Authorities where such tools have recently been put in place.<sup>110</sup>

These initial costs must be offset against the cost savings for many stakeholders: in many countries and regions, beneficiaries need to copy, submit and later retain substantial volumes

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<sup>110</sup> E.g. Managing Authorities from England, Wales, Poland, several Laender in Germany.

of documents on paper. At times they are asked to submit the same information more than once, as information is not sufficiently and effectively shared within the administration and is not available in an electronic format. This imposes a substantial burden. Considerable costs are associated with the transcription and aggregation of financial and monitoring data received on paper and control costs can be higher than necessary, as supporting documents are not always easily available and accessible.

Managing authorities would have the flexibility to developing their own IT solutions, based on their experience in the 2007-2013 period and in line with the specificities of their programmes.

## **7.2. The EGF**

As in the current Regulation on the functioning of the EGF the future EGF Regulation will provide for a mid-term evaluation to assess the effectiveness and sustainability of results obtained and an ex post evaluation to measure the impact of the EGF and its added value.

At the level of the individual applications the Commission will continue to monitor specifically the achievement of the operational objectives, in terms of people reintegrated into employment after 12 and 24 months of implementation, on the basis of interim and final reports on each case. The obligation for Member States to deliver this information will be laid down in the future EGF Regulation.

## **7.3. The integrated programme for employment, social policy and inclusion (Social Development Agenda)**

Following the positive experience with the results-based management approach of the current PROGRESS programme and in line with the recommendations of its mid-term evaluation<sup>111</sup>, the integrated programme for employment, social policy and inclusion will remain committed to a strong focus on results and achievements rather than resources and activities. To this end, the integrated programme will be monitored on an annual basis in order to both assess headway towards the achievement of its specific and operational objectives against clear indicators<sup>112</sup> and allow for any necessary adjustments of the policy and funding priorities. The monitoring will also allow for assessing the way in which gender equality and anti-discrimination issues have been addressed across the integrated programme's activities. Further to the recommendations of both the mid-term evaluation and PROGRESS key stakeholder working group, reporting requirements, in particular those placed upon grant beneficiaries will be reduced. This could be done by reducing the number of quantitative indicators at the output level and measuring the progress achieved towards longer-term goals every three years instead of annually.

The integrated programme will also be subject to mid-term term and ex-post evaluation. A mid-term evaluation will aim at measuring progress made in meeting the Programme objectives, determining whether its resources have been used efficiently and assessing its European added value. Mid-term evaluation report should be delivered by the end of 2017 to feed into the preparation of a successor instrument to the Programme. The final evaluation shall, in addition, examine the impact of the Programme. Ex post-evaluation report shall be delivered by the end of 2022 at the latest.

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<sup>111</sup> See Section 2.4.3.

<sup>112</sup> Indicators will be developed in the ex-ante evaluation for the integrated programme.

The opportunity to bring together three instruments will enable the Commission to streamline evaluation arrangements and reduce their costs.

#### **7.4. Tracking of climate-related expenditure**

Tracking of climate-related expenditure could be performed according to three categories, based on an established OECD methodology ("Rio markers"): expenditure where climate is the principal (primary) objective (counted as 100% - climate related only); expenditure where climate is significant, but not predominant objective (counted as 40% - significantly climate related); and expenditure not targeted to climate objectives (counted as 0% - not climate related).

Within the Structural Funds a decision would need to be taken on the classification of the expenditure sub-categories in the instrument in view of applying the Rio-Markers.

## **ANNEXES**

## **ANNEX 1. THE INSTRUMENTS UNDER DISCUSSION**

- *The European Social Fund* (Budget 76 billion € for the programming period 2007-2013)

The European Social Fund (ESF), established by Article 162 of the Treaty, invests in employment, education, social inclusion and institutional capacity in the Member States. The ESF is part of cohesion policy (as are the ERDF and the CF) as such it is primarily governed by a fund specific regulation<sup>113</sup> and a general regulation common with the ERDF and the CF<sup>114</sup> both expiring at the end of 2013. It is implemented under shared management with a strong focus on subsidiarity. The implementation occurs through national or regional operational programmes (currently 117) embedded in a wide diversity of social structures and situations and covering a broad range of policy issues such as employment, education and life-long learning, social inclusion and institutional and administrative capacity building. It is the Managing Authorities who effectively implement the programmes starting with the selection of the projects.

The ESF budget is not decided at European level. It is the result of the negotiations of operational programmes between Member States and the Commission. The ESF share of the overall financial envelope allocated to ERDF and ESF is therefore constructed ex-post - adding up all regional and national allocations. The table below gives an indicative mapping of current allocation of ESF funds.

**Table 10. Indicative mapping of ESF 2007-2013 allocations against Community Strategic guidelines**

Community Strategic Guidelines	Total	
	In billion €	in %
Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality	21.5	28
Developing a skilled workforce responding to labour market needs and promoting lifelong learning	26.4	35
Improving the quality and performance of education and training systems at all levels and increasing participation in tertiary or equivalent education;	13.4	18
Promoting social inclusion and combating poverty	12.1	16
Technical Assistance	2.5	3
Total	75.9	100

This table informs about the ESF expenditure excluding the national co-financing. Co-financing is set on different levels, mainly depending on whether the region in question is a so-called convergence region, where the EU contribution amounts up to 85% or an employment and competitiveness region, where the EU contribution amounts in most cases only 50%. Specific rules apply when it comes to the technical assistance and transnational projects.

<sup>113</sup> Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No 1784/1999.

<sup>114</sup> Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999.

The ESF supports on average per year some 10 million people. Two million unemployed people find a new job as a result of an ESF-supported measure every year. In addition, the ESF provides support to education and training systems as well as institutional capacity and organisational reforms in a wider sense<sup>115</sup>.

The June Budget Package (COM(2011)500) and SEC(2011) 868) made a number of commitments regarding the ESF. Funding will be concentrated on the key priorities of the Europe 2020 strategy, in particular through four thematic objectives:

- employment promotion;
- investment in skills, education and life-long learning;
- social inclusion and the fight against poverty; and
- enhancing institutional capacity and efficient public administration.

Through these, the ESF will also contribute to other policy objectives such as the transition to a low carbon economy.

For the post-2013 period, the ESF will be covered by the Common Strategic Framework (CSF) for structural funds<sup>116</sup>. Funding will be programmed as part of the Partnership Contracts negotiated with the Member States. The targets will be aligned with the National Reform Programmes and will translate the agreed objectives into decisions on investment.

To strengthen the focus on results, a conditionality mechanism, based on a comprehensive set of ex-ante defined requirements, will be put in place to maximise the impact of the EU budget and trigger and support the necessary reforms in the Member States.

In order for the ESF to make a real contribution to the Europe 2020 strategy targets, a critical mass of funding is required both at EU level and at the level of the operational programmes. The necessary minimum share of cohesion policy investments allocated to the ESF will be tailored to the different categories of region reflecting the different intensities of aid they receive and challenges that they face: this will be done by establishing minimum shares for the ESF of the structural funds support for each category of region (25% for convergence regions, 40% for transition regions, 52% for competitiveness regions, based on the Cohesion Fund continuing to represent one third of the cohesion policy allocation in eligible Member States, and excluding territorial co-operation). The application of these shares result in a minimum overall share for the ESF of 25% of the budget allocated to cohesion policy not taking into account the Connecting Europe Facility (i.e. € 84 billion).

- *The European Globalisation Fund (EGF)* (Budget maximum 500 million € per year)

The EGF was established by Regulation (EC) No 1927/2006 and is based on Article 175 of the TFEU. It was set up in order to demonstrate solidarity at EU level and to provide one-off, time-limited tailor made support to large numbers of workers made redundant within a short period of time as a result of major structural changes in world trade patterns due to globalisation. The EGF was revised in 2009 by Regulation (EC) No 546/2009 as part of the European Economic Recovery Plan to tackle the consequences of the financial and economic

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<sup>115</sup> Source?

<sup>116</sup> The CSF will cover the ESF, the European Regional Development Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund.

crisis. The main permanent changes were a reduction of the eligibility threshold from 1 000 to 500 redundancies, an increase of the implementation period from 12 to 24 months to leave sufficient time for the measures to be effective and the possibility to assist workers made redundant before and after the reference period. Two crisis-related temporary amendments were also introduced: the possibility to apply for EGF support for redundancies that result directly from the financial and economic crisis and an increase of the EGF co-funding rate from 50 to 65 %. These temporary provisions expire on 30 December 2011. In the light of the current economic situation the Commission has presented a proposal to extend these until 31 December 2013.

The EGF co-funds a package of active labour market policy measures aimed at re-integrating redundant workers into employment. It is available for cases of collective redundancies in a single enterprise and its suppliers, but also for redundancies in a large number of enterprises, in particular SMEs, operating in a single economic sector and located in one NUTS II region or two contiguous NUTS II regions. The EGF is implemented under shared management with a strong focus on subsidiarity as regards the active labour market policy measures offered and their implementation. The Commission prepares and submits for each individual application for EGF support a proposal for a Decision to the European Parliament and the Council, acting as the Budgetary Authority. Since the establishment of the EGF the Commission has received 78 applications for a total amount of € 358 million and to support almost 76 000 dismissed workers.

In its Communication<sup>117</sup> to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions on 'A Budget for Europe 2020' the Commission proposed to keep the EGF outside the MFF and thus to give the highest priority to maintaining its flexible nature, because the amounts which are needed vary from year to year. Being outside the MFF implies that each individual application will continue to require a decision of the budgetary authority. However, in the same Communication the Commission addresses the concern about the complexity and length of the current procedure and undertakes to ensure that the operation of the EGF becomes simpler and more responsive to changing economic circumstances. The arrangements for mobilising the necessary EGF support are proposed in the draft Interinstitutional Agreement<sup>118</sup> between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management that is part of the MFF package. It is further specified that the EGF may not exceed a maximum annual amount of EUR 429 million, or EUR 3 billion for the period 2014 – 2020. Of this amount up to EUR 2,5 billion can be made available to support farmers, negatively affected by trade agreements.

The discussions that have taken place so far between Commission services indicate that the current EGF eligibility criteria and measures need some adaptation in order to offer comparable support to farmers affected by trade agreements. However, these discussions have not reached a conclusive state yet. Therefore, it is not possible to include the analysis supporting the eligibility criteria of EGF funding in the IA. As indicated in footnote 85 on p. 41 of the IA this analysis will be part of the ex ante evaluation accompanying the Proposal for an EGF Regulation for the period 2014 – 2020.

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<sup>117</sup> COM(2011)500 final, 29.6.2011

<sup>118</sup> COM(2011)403 final, 29.6.2011

- *The European Progress Micro-Finance Facility* (Budget 100 million € for the period 2010 to 2013 with an additional contribution of 100 million € by the EIB).

The aims of the European Progress Microfinance Facility (Progress Microfinance)<sup>119</sup>, which was set up in 2010 as a response to the economic crisis, are twofold: on the one hand, it makes microfinance more readily available to persons who wish to start up or develop micro-enterprises, including with a view to self-employment, in that it enables microcredit providers in the EU to increase their lending to them. On the other, it improves access to microfinance by reducing the risk borne by microfinance institutions. This allows providers to reach out to groups who could not normally be served, for instance because they could not put up sufficient collateral or because the interest rates would have to be very high if they were to reflect the real risk.

Progress Microfinance is jointly managed with the European Investment Fund. It is a demand-driven instrument. The Commission estimates that the Union's contribution of € 100 million will leverage a total volume of microloans of more than € 500 million over eight years.

End of June 2011, six institutions (in Belgium, the Netherlands, Poland, Bulgaria, Romania and Lithuania) had already signed transactions under Progress Microfinance. The EIF has confirmed that Progress Microfinance meets with considerable interest from the European microfinance sector. By the end of 2011, 14 operations are expected to be concluded.

- *PROGRESS - The EU Programme for Employment and Social Solidarity* (Budget 683.25 million € for the programming period 2007-2013)

Working alongside the European Social Fund, the PROGRESS programme<sup>120</sup> supports the development and coordination of EU employment and social policy. The programme helps the Commission to fulfil its tasks both in the fields of (a) law-making, to ensure that evidence-based legislation meets all the principles of Smart Regulation; and (b) policy-coordination among the Member States, where the Commission acts as facilitator and broker. PROGRESS focuses on transnational aspects of the EU employment and social policy, the promotion of which requires a concerted action across all Member States, and actively supports collective and mutually reinforcing actions of Member States, which consolidate EU co-operation and bring about mutual learning and social innovation.

PROGRESS budget is spread over five broad policy sections in the following manner<sup>121</sup>:

1. Employment (support to the European Employment Strategy) – 23%;
2. Social protection and social inclusion (support to the Open Method of Coordination in these fields) – 30%;
3. Working conditions, including restructuring (support to the improvement of the working environment, including health and safety at work and reconciling work and family life) – 10%;
4. Anti-discrimination and diversity (support to the effective implementation of the principle of non-discrimination) – 23%;

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<sup>119</sup> Decision No 283/2010/EU of the European Parliament and of the Council of 25 March 2010 establishing a European Progress Microfinance Facility for employment and social inclusion.

<sup>120</sup> Decision No 1672/2006 of the European Parliament and of the Council of 24 October 2006 establishing a Community Programme for Employment and Social Solidarity — Progress.

<sup>121</sup> Two percent of the budget is used for support measures to the implementation of the whole programme.

5. Gender equality (support to the effective implementation of the principle of gender equality) – 12%.

PROGRESS contributes to the achievement of its objectives through three main types of actions:

1. Analytical activities
2. Mutual learning, awareness and dissemination activities
3. Support for main actors.

The programme is directly managed by the Commission mainly through calls for tenders, calls for proposals and joint management. In the case of grants, the programme provides a maximum of 80% co-financing.

- *EURES* (Budget 21.3 million € per year)

Set up in 1993<sup>122</sup>, EURES is a co-operation network between the European Commission and the Public Employment Services of the EEA Member States (The EU countries plus Norway, Iceland and Liechtenstein) and other partner organisations. Switzerland also takes part in EURES co-operation. The purpose of EURES is to provide information, advice and recruitment/ placement (job-matching) services for the benefit of workers and employers as well as for any citizen wishing to benefit from the principle of the free movement of persons.

The joint resources of the EURES member and partner organisations provide a solid basis for the EURES network to offer high quality services for both workers and employers. EURES has a network of more than 850 EURES advisers that are in daily contact with jobseekers and employers across Europe. It also fosters European mobility via the internet platform <http://eures.europa.eu>.

In European cross-border regions, EURES provides information about and helps to solve problems related to cross-border commuting that workers and employers may experience.

EURES supports the European Employment Strategy and contributes to strengthening the European Single market by providing information, advice and assistance for placement, recruitment along with matching CVs and vacancies. EURES has demonstrated its European added value during the economic crisis by increasing the intra-EU employment opportunities available to jobseekers. The number of visits on the EURES portal has almost doubled from 2008 to 2009 (from 17 500 000 to 33 750 000)<sup>123</sup>.

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<sup>122</sup> COM 2003/8/EC of 22 December 2002 based on regulation 1612 from 1968 codified 492/2011 from 5 April 2011

<sup>123</sup> Source

## **ANNEX 2. CONSULTATIONS AND EXPERTISE**

### **ESF**

Highlights of this consultations process were:

1. The conference on "Shaping the future of the ESF - ESF & Europe 2020" in Brussels 23<sup>rd</sup> & 24<sup>th</sup> June 2010. The conference's aim was to assess the past achievements of the ESF in supporting EU objectives, in particular its contribution to the previous Growth and Jobs strategy. Most importantly it explored how the ESF could contribute effectively to the Europe 2020 Strategy. The conference brought together over 450 high level representatives from public authorities, social partners and civil society at EU and national levels as well as from third countries<sup>124</sup>;
2. The Cohesion Forum on 31 January and 1 February 2011 which marked also the end to a public consultation on the conclusions of the 5<sup>th</sup> Cohesion Report<sup>125</sup>; and
3. The seminar with NGOs and Social Partners on the future of the ESF organised on 16 December 2010.
4. Expert advice was provided through the ESF Committee ad-hoc group on the future of the European Social Fund. The ad hoc group on the future of the ESF was an informal group of experts from the Member States and the social partners with DG EMPL acting as secretary. The experts participated in their personal capacity and were not expected to present or defend formal positions. The ad hoc group met 7 times between December 2009 and March 2011. Each discussion was underpinned by an issue paper prepared by the Commission. The ESF Committee itself issued opinions on the future of the ESF at its meetings of 3 June 2010 and of 10 March 2011<sup>126</sup>.

### **EGF**

Two stakeholder conferences<sup>127</sup> were organised to discuss the future of the EGF on 25 and 26 January 2011 and 8 March 2011.

Evidence<sup>128</sup> about the acceptance of the EGF was collected by asking Member States' experts on the future of the EGF through two questionnaires sent to them on 26 August 2010 and 12 October 2010 and European social partner organisations through a questionnaire sent to them on 2 February 2011. Twenty five Member States replied. Relatively few social partner organisations answered but they participated actively in the conferences. Member States' experts were further consulted at expert meetings in Porto on 29 and 30 September 2010 and in Brussels on 9 March 2011.

The European Parliament on 7 September 2010 adopted a Resolution<sup>129</sup> on the functioning and the funding of the EGF.

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<sup>124</sup> The conference report is available at: [http://ec.europa.eu/employment\\_social/esf/docs/100907-conference-report-final\\_en.pdf](http://ec.europa.eu/employment_social/esf/docs/100907-conference-report-final_en.pdf)

<sup>125</sup> The results of the public consultation are accessible at: [http://ec.europa.eu/regional\\_policy/consultation/5cr/index\\_en.cfm](http://ec.europa.eu/regional_policy/consultation/5cr/index_en.cfm)

<sup>126</sup> <http://ec.europa.eu/esf/main.jsp?catId=445&langId=en>

<sup>127</sup> <http://ec.europa.eu/social/main.jsp?catId=326&langId=en&eventsId=320&furtherEvents=yes>

<sup>128</sup> Ibid.

<sup>129</sup> <http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2010-0236&language=EN>

## **Direct Management instruments**

The working group gathering the programme's key stakeholders representatives<sup>130</sup> was set up to provide the Commission with a set of recommendations on the future instrument's design, objectives, implementation and funding (the main recommendations are presented below).

A public online consultation on a possible successor instrument to PROGRESS was carried out between 4 April and 27 May 2011. The key issues addressed were: designing the successor instrument to fit the Europe 2020 Strategy, targeting the actions to maximise added value, improving delivery mechanisms, and ensuring complementarity and coordination with other policies and instruments. The consultation targeted national, regional and local authorities responsible for employment, social affairs and equal opportunities issues; experts, social partners, public employment services, NGOs at both EU and national levels; as well as any other institutions or individuals following EU policy debate in employment and social areas. The consultation covered all PROGRESS participating countries (EU 27 Members States, EFTA/EEA countries, candidate and potential candidate countries).

Furthermore, given that PROGRESS is implemented through a results-based management approach, the Commission regularly monitors the progress achieved towards expected results against clearly defined performance indicators. In this context, an annual survey, targeted at policy and decision-makers, social partners, NGOs and networks at both EU and Member State levels is carried out to measure satisfaction with PROGRESS outputs and the extent to which they contribute to meeting the programme's objectives. The results are taken into account for designing the successor instrument.

The 2011 meetings of EURES Working Party and Heads of Public Employment Services (PES) held specific discussions on the future on EURES.

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<sup>130</sup> National authorities, social partners and EU-level networks of civil society organisations. The Group met twice in January and February 2011.

### **ANNEX 3. GLOSSARY AND ABBREVIATIONS**

- AAR:** EMPL's Annual Activity Report (AAR) provides information concerning policy results, financial management, and internal control systems. The AAR is submitted to the Court of Auditors and serves as the basis for a synthesis report sent by the Commission to the European Parliament, Council and Court of Auditors.
- ALMP - Active labour market policies:** are defined in opposition to passive labour market policies. The objective is to increase the employability of the beneficiaries and ultimately its integration in the labour market. It does cover transfer payments for participation in training or job creation programmes. Passive labour market policies transfer payments for willingness to job search only.
- Automatic de-commitment:** was introduced for the programming period 2000 - 2006 to improve financial discipline. The principle is that any budget that has not been used by 31 December of the second year ("n+2 rule") following budget commitment is permanently lost for the programme.
- Collective redundancies:** dismissals of a group of employees effected by an employer for one or more reasons not related to the individual workers concerned
- Convergence regions:** Regions with a GDP per capita in purchasing power parity below 75% of the EU average.
- Cross-financing:** The possibility within strictly defined limits to fund operations which fall under the scope of another fund.
- EES - European Employment Strategy:** The European employment strategy provides a framework (the "Open Method of Coordination") for EU countries to share information, discuss and coordinate their employment policies.
- Effectiveness:** The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.
- Efficiency:** The principle of efficiency is concerned with the best relationship between resources employed and results achieved.
- EMCO:** The Employment Committee is a Treaty-based Committee. It plays an important role in the development of the European Employment Strategy. The Employment Committee prepares discussions in the Council each autumn of the employment package: the Employment Guidelines, Joint Employment Report and Recommendations on the implementation of national employment policies. EMCO also formulates Opinions and Contributions at the request of the Council, the Commission or at its own initiative.
- EPPA:** European Parliament Preparatory Action: The European Parliament allocated in 2008, 2009 and 2010 appropriations for a total of EUR 7 M to carry out a preparatory action to promote a more favourable environment for micro-credit in Europe. Part of these funds was used by the Commission to provide seed funding to non-bank microcredit providers (EUR 4 million under the JASMINE umbrella). The remaining EUR 3 million have been transferred to the funded instruments window of Progress Microfinance

*Geographic mobility* or "intra-EU–mobility" is used to refer to the movement of EU residents from one country to another within the European Union.

*IGL Integrated Guidelines:* There are two sets of guidelines. The employment guidelines for national employment policies, proposed by the Commission and agreed by the national governments, set out common priorities and targets. The .....

*Inactive:* persons currently not part of the labour force.

*Intensity of support:* The average amount of EU funds in € per capita from cohesion policy instruments (ESF, ERDF and CF).

*JASMINE:* JASMINE stands for 'Joint Action to Support Microfinance Institutions in Europe'. It is one of the four new financial engineering initiatives introduced under the EU Cohesion Policy for 2007-13. With a total budget of €50 million, JASMINE is a pilot initiative which has been jointly developed by the European Commission (EC), the European Investment Bank (EIB) and the European Investment Fund (EIF). JASMINE is tailored for micro-enterprises and for socially excluded people (including ethnic minorities) who want to go into self-employment, but do not have access to traditional banking services. This initiative focuses on this 'non-bankable' segment of the market. It aims to make small loans, or micro-credit, more widely available in Europe to satisfy unmet demand. In the EU micro-credit means loans under €25 000, but typically, the average is € 10 000 for EU-15 and €3 800 for EU-12.

*JEREMIE:* Joint European Resources for Micro to Medium Enterprises, is an initiative of the European Commission developed together with the European Investment Fund. It promotes the use of financial engineering instruments to improve access to finance for SMEs via Structural Funds interventions.

*Labour market segmentation:* occurs if it is made up of different groups with little movement from one to the other. It can result different groups (f.i. men and women) being employed on different terms but doing the same work.

*Labour mobility:* is about the willingness and ability of workers to change employment or areas. Vertical mobility changes the workers grading or status. Horizontal mobility does not. Low labour mobility is a cause of structural unemployment.

*LLL - Lifelong learning:* lifelong learning is defined as 'all learning activity undertaken throughout life, with the aim of improving knowledge, skills and competence, within a personal, civic, social and/or employment-related perspective.'

*Microcredit:* Micro-credit in the EU means loans under € 25 000. It is tailored for micro-enterprises and unemployed or inactive people who want to go into self-employment but do not have access to traditional banking services.

*Microenterprise:* an enterprise employing less than 10 people, including self-employment, and whose annual turnover and/or annual balance sheet total does not exceed € 2 million. 91% if all European enterprises are microenterprises.

*Multi-fund programme:* An Operational Programme can not currently use combine ESF and ERDF funds. Operational programmes are mono-fund. The proposal for

the post 2013 period is to make it possible to draw on both sources of financing – making Operational Programmes multi-fund.

*OMC - Open Method of Coordination:* The OMC provides a framework for cooperation between the Member States, whose national policies can thus be directed towards certain common objectives. Under this intergovernmental method, the Member States are evaluated by one another (peer pressure), with the Commission's role being limited to surveillance. The European Parliament and the Court of Justice play virtually no part in the OMC process. The open method of coordination takes place in areas which fall within the competence of the Member States, such as employment, social protection, social inclusion, education, youth and training.

It is based principally on: (1) jointly identifying and defining objectives to be achieved (adopted by the Council); (2) jointly established measuring instruments (statistics, indicators, guidelines); and (3) benchmarking, i.e. comparison of the Member States' performance and exchange of best practices (monitored by the Commission).

*OP - Operational Programme:* the operational programme defines the activities to be implemented with the Funds (ESF, ERDF or CF). An OP contains inter alia an analysis of the situation, a justification of the priorities chosen, information on the priority axes and their specific target, a financing plan. They are managed by a Managing Authority.

*Passive (labour market) policies:* relate to spending on income transfers for persons have lost their employment. It consists essentially of unemployment benefits and early retirement pensions paid for labour market reasons.

*Performance monitoring:* A continuous process of collecting and analyzing data to compare how well a project, program, or policy is being implemented against expected results.

*Personalised services:* services provided by public employment services or other bodies to individuals with the aim to facilitate the integration of unemployed and other job seekers in the labour market.

*Private Employment Services* deliver employment services to jobseekers, job changers and employers, on commercial and non-commercial basis.

*Professional mobility* includes job-to-job mobility, which requires a change of employer, and occupational mobility, which is indicated by a change in job role and functions but may occur with the same employer.

*Public Employment Services* as public services have a specific role in the labour market: they deliver services free of charge to jobseekers (both unemployed and jobchangers) as well as to employers, which aim to bring jobseekers and vacancies together, and also contribute to improved transparency in the labour market.

*Results-based management:* A management strategy focusing on performance and achievement of outputs, outcomes and impacts.

*SFC:* Structural Funds Common database. This is a portal through which Managing authorities and the Commission exchange information on the progress of the Operational Programmes. SFC ss refers to the programming period 2000-2006. SFC2007 refers to the ongoing programming period (2007-2013).

*Social enterprises:* Social enterprises have primarily social as opposed to profit-making goals, produce goods and services (often of general interest) in a highly entrepreneurial and innovative way to generate benefits to the general public, use surpluses mainly to achieve their social goals, and reflect their mission in the way they operate by involving workers, customers and stakeholder affected by the business activity.

*Social experimentation:* the concept refers to small scale projects designed to test policy innovations (or reforms) before adopting them more widely. The impact of the innovation on the sample population is assessed against the situation of a 'control group' with similar socio-economic characteristics that remains under the dominant policy regimes. Social experiments can be applied to a large spectrum of social interventions, such as welfare-to-work programmes, provision of health services, technologies to facilitate independent living, addressing homelessness, education, early child development, access public utilities, active retirement, etc. Social experimentation requires a thorough preparation and selection. The programmes should be of sufficient size to make them politically relevant and should focus on fields where evidence suggests that a policy change is needed. To be conclusive, the program must be subject to well-defined evaluation standards, to ensure that its results are transferable to another context.

*SPC:* The Social Protection Committee is a Treaty-based committee. The SPC serves as a vehicle for cooperative exchange between Member States and the European Commission in the framework of the Open Method of Co-ordination on social inclusion, health care and long-term care as well as pensions ("Social" OMC). In particular, the Committee plays a central role in preparing the discussion in the Council on the annual Joint Report on Social Protection and Social Inclusion. The Committee also prepares reports, formulates opinions or undertakes other work within its fields of competence, at the request of either the Council or the Commission or on its own initiative.

*Unemployed:* persons without work, available for work and actively seeking work.

*Your first EURES job* is a new preparatory action to foster youth job mobility across the EU-27 countries. It is aimed at helping young people and employers to fill open bottleneck vacancies. "Your first EURES job" is one of the actions pinpointed in the EU 2020 strategy (flagship initiative "Youth on the Move" and corresponding Communication).

## **ANNEX 4. RESULTS OF EVALUATIONS**

The ESF evaluation system reflects the highly decentralised governance structure. Evaluations are undertaken at the project level to assess the functioning and the effectiveness of specific projects. They are undertaken at the level of Priority Axes or Operational Programmes (OPs) to analyse whether the process of implementation functions properly and is still in line with the needs. At the European level, evaluations often focus – in line with the actual competences – on governance questions.

In the current programming period the ESF is implemented through 117 Operational Programmes. In the previous programming period (2000-2006) there were 212 Operational Programmes. Evaluations are carried out in accordance with the size and the character of the Operational Programme. For the current programming period, the start of which was delayed in many Member States rather late, the Commission is aware of some 300 evaluations which are either underway or in the process of being finalised. Most of these evaluations are conducted by independent evaluators who are commissioned by the Member States themselves. The evaluations conducted on behalf of the Commission tend to be thematic or strategic. The Commission is also responsible for the ex-post evaluation. The ex-post evaluation of the 2000-2006 programming period was finalised in December 2010.

A general conclusion of the European level evaluations concerning the previous (2000-2006) as well as the current programming period is that the ESF plays an important role when it comes to setting the social and employment policy agenda. European citizens would be far less aware of the need and advantages of active labour market policy, gender mainstreaming, non-discrimination and evidence-based policy making without the ESF. While the EES presented the Flexicurity concept, it is to a large extent the ESF which substantiates it and allows Member States to implement it.

### **1. The ESF (2000-2006) ex post evaluation**

The ESF (2000-2006) ex post evaluation was carried out between 2008 and 2010. The principal evaluation findings can be grouped under three main headings: resources, policy areas and governance.

#### **1. Resources**

More than €120 billion were spent in ESF programmes throughout the EU during the programming period 2000-2006. The total amount spent was financed mostly by the European Union budget (52%), with a significant contribution by Member States (42%) and a relatively small share coming from private organizations (6%).

More than 75 million individuals and approximately 1.7 million organisations were supported in a variety of ways.

The ESF has been targeted mostly at the unemployed, young and excluded.

Across the Member States, expenditure was higher for active labour market policy in Central European States (34%), while Northern States spent comparatively more on adaptability (39%) and while New Members States spent relatively more than others (20%) on social inclusion initiatives.

Among the EES Objectives, ESF-supported measures mainly contributed to implement employment policies (33%) and investment in human capital (29%).

Training (40%) and counselling (21%) were the most common instruments used to channel ESF support.

## 2. *Policy areas*

The evaluation shows that the ESF has played a significant role in supporting investment in human resources across the different policy fields foreseen in the Regulation.

- The ESF contributed to bridging the gap between education systems and labour market

The ESF served as an important instrument for strengthening the link between education/training and employability, and to improve the matching between education system and labour market.

The ESF contributed to bridging the gap between education systems and the labour market through a variety of means, including improvements in governance; support to structures for the development of human capital; support for improvements to systems linking training and the labour market; teacher training; and the design of programmes better adapted to the needs of the labour market and to its changes.

- Adaptability measures mainly targeted employed individuals

A majority of the adaptability measures have targeted employed individuals rather than enterprises. This finding is true for both types of adaptability (individuals and work organisations). While the dominant mode of adaptability intervention by the ESF was through individual training measures, there was a significant portion of the activity that addressed the issue through enterprises.

- The ESF contributed to increasing employment and improving the functioning of the labour market

The ESF contributed additional resources to national and, particularly, regional governments for directly supporting training and counselling of unemployed people, particularly of women and the young unemployed.

Co-financed projects produced important effects because they contributed to the activation of labour markets; encouraged workforce participation; strengthened, modernised or improved national labour policies and services and contributed to improving the quality of labour supply.

ESF measures targeted at the unemployed had positive effects, leading to an average insertion rate of 39.8% for all final recipients (calculated using data collected from all the measures targeted at the unemployed). The most successful target groups were women (47%), the excluded (45%) and long-term unemployed (42%).

- Social inclusion received very strong support by the ESF

The ESF played an important role by contributing valuable additional resources to the Member States to provide support to specific target groups. In a number of Member States equal opportunities and social cohesion-related policies would have been financially impossible to sustain without the help of the ESF. Their impact was not homogeneous due to the vast differences across Member States, regions, measures and programmes.

The greatest ESF impact was at 'meso' and micro-level. Quantitative data and case analyses carried out by the evaluators suggest that the ESF had an important impact on social cohesion: co-financed programmes helped overcome the differences across European regions, active and inactive population and marginal social groups.

Social inclusion measures generally resulted in significant positive micro-level impacts in the areas of mobilisation, (re)motivation and rehabilitation. The implemented measures resulted in positive 'meso'-level impact in the area of structural reforms. Modernisation of national employment services provided more personalised and relevant services to the clients.

- The ESF contributed to the improvement in the status of women in the labour market

ESF gender-specific and gender-supportive measures have significantly contributed to improving the general status of women in relation to the labour market. The inclusion of a gender focus in ESF activities stimulated the creation of employment opportunities at local level, while also contributing to the improvement of family conditions that, in turn, have facilitated the entrance of women into the labour market.

### 3. Governance

- Scarcity of reliable data

Although the evaluators of the ex post evaluation managed to gather some quantitative data, the overall findings of the ex post evaluation for the 2000-2006 programming period with regard to results are largely based on qualitative rather than on quantitative data. The latter is hardly available at EU level because the 2000-2006 Regulations did not impose harmonised obligations or common standards for monitoring and reporting on ESF participants.

- Programme level objectives and targets are not easily identified

At Operational Programme level, choices are not easily identifiable either in terms of allocations among general objectives, nor within certain policy areas. For example, social inclusion and gender measures seldom specify the sub segments they are targeting, where delivery mechanisms may be radically different for each of them.

- Coordination between the ESF and other programmes is limited

Coordination between the ESF and programmes funded by other structural funds and public policies is often limited. For example the same individuals may be targeted twice (as demonstrated by some social inclusion measures). Action towards the same area can also lack coordination (as shown by the analysis of Territorial Employment Pacts and Local Initiatives for employment).

- ESF management tools provide limited support to programme performance

A problem reported across the evaluation is that management tools and governance mechanisms of ESF programmes (indicators, monitoring, control and evaluation) are often perceived as both costly and not relevant to actual decision-making.

- Tools and incentives for accountability are not adequate

One of the common elements that emerge from analyses on gender, social inclusion and local initiatives is that there are few mechanisms to direct available ESF funds towards the most effective projects.

- Mutual learning promotes ESF effectiveness

Mutual learning seems to be a key factor in improving the effectiveness of the ESF, and exists at three levels: (i) policy learning and harmonisation effort at the Union level, (ii) improved network-based mutual learning among key actors of planning and governing

the ESF, and (iii) an improved and intensified international exchange of working practices within diverse contexts.

## **2. Thematic ex-post evaluations of the 2000-2006 ESF**

### **2.1 Impact on the functioning of the labour market and on the investment in human capital infrastructure through support to systems and structures**

**The evaluation confirmed the relevance of ESF interventions for systems and structures (S&S).** The estimated financial commitment for S&S was between 2% and 15% of Member States' entire ESF allocations. In some countries ESF funds provided the biggest pool of resources to support adaptations in ALMPs. 65% of the EU's working age population live in Member States where the ESF has supported reforms of the Public Employment Services (PES).

**S&S interventions considerably supported the European Employment Strategy goals and facilitated policy convergence at European level.** In particular, interventions for S&S allowed Mediterranean and Eastern countries to build up PES similar to those of the more advanced Central and Northern EU countries. They also helped improve the supply of training and provide a greater responsiveness to labour market needs, especially in Mediterranean countries. Considering that the countries most in need of adapting S&S were precisely those which received the largest amount of resources from the ESF, the territorial concentration of funds supported the convergence of S&S.

**S&S interventions were an important factor in improving the effectiveness of ESF support to persons.** The integration of support for S&S and for persons produced a process of **mutual reinforcement**, especially in countries where ESF assistance was more sizeable. Here, the S&S component of the ESF improved the governance and quality of systems, while support to persons enhanced the overall capacity of the systems.

**The functioning of the ESF (multi-annual programming, continuity of financing) appears to be particularly suited to investments in S&S that will mainly bear fruit in the medium to long-term.** The seven-year programming of the ESF is often longer than national practices and favours long-term strategies and independence from the political cycle.

**To achieve significant results and impacts, the systemic nature of S&S interventions requires a concentration of resources and integration with other interventions carried out with national or local resources.** The critical mass aspect was crucial in countries which implemented large-scale reforms, where the operation of all the components needed to be enhanced in order to make the system operational.

**Financial as well as institutional sustainability are important for successful implementation.** National and regional authorities need to pay more attention to how ESF resources will be replaced in the medium term and how to achieve organisational learning so that once the immediate intervention ends the organisation does not slip back into the previous – less effective – routine. These challenges are particularly big in Objective 1 regions, where reliance on ESF support is higher.

## **3. Thematic evaluations of the 2007-2013 ESF**

### **3.1 Evaluation of the ESF contribution to the European Employment Strategy**

This evaluation for the period 2007-13 found that all Member States when designing their Operational Programmes (OPs) ensured that there was a linkage between the objectives of the OPs and those of the National Reform Programmes (NRPs)/EES on a general level. However, in none of the 27 Member States were the OPs explicitly designed to contribute to the NRP

and / or the EES, with clear and explicit contribution chains describing overall *how* the Operational Programme was intended to contribute to the NRP. In some cases the strategic link between the two policy strands is weak, and in many cases there is obvious link at all.

**ESF 2007-13 contributes to the EES mainly through** adding volume and scope to planned reforms and structural changes and to existing activities ensuring thereby that they reach more people with better measures.

The evaluation confirmed that the ESF is an essential instrument to implement and disseminate concepts and reforms linked to the EES. The connection between the ESF and the EES is not as much on the operational level as one could expect. The different life-cycles of the two policy instruments as well as the often indirect linkage (Operational Programme referring not directly but only indirectly via the NSRF to the EES) further complicate the situation.

The evaluation showed however that the extent to which (and how) the **ESF contributes to the EES depends on the Member State** in question:

- In Member States with few national resources for ALMP, the possibility to use the ESF to boost or mirror (volume) national activities (from large reforms to specific measures targeted at specific groups) can be essential to provide the services needed and hence for achieving the NRP objectives.
- In Member States with a political climate less favourable to experiments with labour market measures, the ESF can be used to test innovative ideas that can later be mainstreamed to and implemented at national level if they have proved to be effective. Mainstreaming and the implementation of (more) effective measures must in turn be expected to contribute to the achievement of the NRP objectives.
- All Member States can benefit from using ESF funds to broaden existing activities to new target groups or with new measures that make them more effective. This must in turn be expected to contribute to the achievement of the NRP objectives.

### **3.2 Evaluation of ESF Support for Enhancing Access to the Labour Market and the Social Inclusion of Migrants and Ethnic Minorities**

The following definitions have been used for the purpose of this study:

*Migrants*: a non-EU born individual from a third country legally residing within EU27. Migrants are of first, second or third generation although many migrants of 2nd and a fortiori 3rd generation will have acquired the nationality of the host country

*Minorities*: individuals with a different cultural tradition or background from the majority of the (host) population. In EU countries where the term ‘ethnic minority’ is recognised, a distinction is made between ethnic minorities of first, second and third generation.

Additionally, the study distinguished between ethnic on one side and indigenous and national minorities on the other. The latter are described as ethnic groups that are long-standing and relatively well-established residents of a particular EU country.

A key conclusion of this evaluation was that there is an **increased attention promoting the labour market and social inclusion of migrants and minorities in ESF in the 2007-2013 period compared with 2000-2006**. This is reflected in ESF Operational Programme strategies and in higher levels of expenditure on these groups. The inclusion of an explicit

reference in the ESF Regulations 2007-2013 to the funds' relevance in promoting access to the labour market for migrants and minorities and a requirement to monitor and report on the ESF's contribution in ESF AIRs had a positive impact in this regard.

- At the **individuals'** level, the ESF made a positive contribution in helping people with a migrant and minority background to overcome barriers to labour market access by strengthening employability, promoting adaptability and encouraging entrepreneurship and self-employment, which were often seen as a viable alternative to entering the primary labour market. ESF has had a positive effect on strengthening basic skills for employability such as ICT skills, basic literacy and communication skills and in particular, language skills - a major obstacle to labour market entry for migrants and minorities.
- At the level of **system and structures**, the ESF has helped to improve the quality of initial integration services and created new networks and organisational structures to promote the integration of migrants. The capacity of public institutions to promote the integration of people with a minority background has been strengthened as a result of ESF intervention. Knowledge has been gained and experiences shared, for example, between public institutions and migrant and minority NGOs with a specialist understanding of these groups' needs and barriers they face in accessing the labour market.

The ESF has also strengthened horizontal coordination mechanisms to promote greater cooperation in Structural Funds management and implementation structures between government Ministries, national equality bodies and specialised agencies. NGOs played a key role in project delivery and were seen as more effective in targeting 'difficult to reach' groups than traditional mainstream providers of social and employment services.

The evaluation found out however, that not all Member States address these groups explicitly and that the ESF targeting strategies to promote the labour market and social inclusion of migrants and minorities vary between them. The **most common approach was a combination of specific actions and general measures in which a series of disadvantaged groups are targeted.**

The evaluation demonstrated European Added Value of the ESF support to migrants and minorities both in terms of volumes by addressing an important funding gap and providing resources to promote access to the labour market and the social inclusion of migrants and minorities and scope by extending coverage to wider target groups that had not previously been addressed through national programmes, or had received limited attention. Examples include second and third generation migrants, immigrant youth, and the Roma.

### **3.3 Evaluation of the ESF support to gender equality**

A key conclusion of this evaluation was that **there is European Added Value** in the ESF's support to the gender equality policy as the ESF has 'pushed' gender equality onto the policy agenda in most Member States. For some Member States, the ESF contribution has been very important also from a budgetary point of view, as it has allowed actions to be implemented for which funds would otherwise not have been available.

In the current programming period all Member States have considered the gender equality theme in their ESF Operational Programmes but with important differences in the level of consideration. The dual approach requirement set by the ESF Regulation (to combine mainstreaming and specific actions), has been in practice translated into a significant decrease

of gender-specific actions comparing to the previous period and an over-dependence on gender mainstreaming. This means that the contribution of the ESF to the promotion of gender equality will be dependent on how well gender mainstreaming is applied and how the relatively limited resources available for specific actions focus on critical issues. In response to these challenges, this evaluation study makes the following recommendations:

- The European Commission could increase attention to the effective application of gender mainstreaming by requesting a specific focus on gender mainstreaming implementation for the next round of national strategic reports due by the end of 2012; and an evaluation exercise on how Member States have implemented gender mainstreaming in this programming cycle.
- In the future programming period, the Commission should consider defining in the Regulation which objectives should be considered as objects of gender mainstreaming and which as objects of specific actions. Core ESF objectives as employability should be mainly considered as objects of gender mainstreaming. Gender equality specific actions should primarily be directed to other gender equality dimensions that require specific focus and cannot be easily addressed through gender mainstreaming (i.e. tackling gender stereotypes; vertical and horizontal work segregation; women's empowerment in public life). The Regulation should also stipulate that gender equality specific actions should be considered in a wider perspective than just targeting women, i.e. also targeting men, key economic and social actors, decision makers and the general public.
- The implications of gender mainstreaming should be explicitly specified either in Regulations or in Guidelines, with the definition of project requirements specified differently according to the types of actions.
- Member States should ensure the set up of a permanent function to lead on gender equality issues in the planning, implementation, monitoring and evaluation of ESF Operational Programmes. Self-assessment or evaluation exercises on the application of gender mainstreaming are recommended at Member State level, with a close watch on how monitoring systems and data collection are working in practice to inform on progress with respect to the gender equality objectives. Finally, participation in projects by applicants equipped with gender skills should be encouraged through public events for such potential applicants in view of calls for projects, in order to enhance the communication of opportunities and clarify requirements and expectations.

#### **4. Findings from ESF-evaluations conducted by Member States**

For the evaluations conducted by the Member States<sup>131</sup>, this document will only present results which compare ESF support with nationally financed support schemes (and not present overall results of ESF support). Unfortunately there are only very few evaluations which compare national with ESF schemes. In addition it should be noted that we do not have sufficient information to assess how the ESF intrinsically contributes to Union policy objectives (such as the EES for instance). National evaluations do not provide for responses to questions about the effect of the ESF in helping Member States to closer align their employment and social policy more closely with the European policies.

Evaluations have mostly pointed to an extension of support to groups of people which would otherwise not have benefitted from national support programmes. An evaluation of the

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<sup>131</sup> All the documents mentioned in this section can be found at:  
[http://circa.europa.eu/Members/irc/empl/esf\\_evaluation\\_discussion\\_group/library?l=commission\\_evaluation&v m=detailed&sb=Title](http://circa.europa.eu/Members/irc/empl/esf_evaluation_discussion_group/library?l=commission_evaluation&v m=detailed&sb=Title)

German Bund Operational Programme (2000-2006) found that the participants supported by the ESF were equally successful on the labour market as those participating in purely national programmes. The evaluation concluded that the added value of the ESF lies in the fact that the ESF supported people entering the labour market who would otherwise not have benefitted from any support. Compared to unemployed nonparticipants, ESF participants were more successful on the labour market in the medium and long run. A group which benefitted particularly from ESF support were women. They represented 57% of ESF participants in contrast to 47% of female participants in comparable national support schemes.

Another evaluation commissioned by the German authorities even found better results of ESF supported schemes than for national schemes. For ESF support to measures combining reduced working time ("*Kurzarbeit*") Germany, it concluded that on average, a larger share of people completing ESF schemes (44%) were in employment two years later than those in competing national schemes (just under 40%)<sup>132</sup>.

An evaluation of ESF support to three Belgian regions found that the ESF had mostly a catalytic impact, first on innovating activation instruments, second on the governance of employment policies and third on policy framing.<sup>133</sup>

Evaluations highlighted that the ESF support was more flexible than national support schemes and could thus address the specific needs of certain groups. An evaluation of the Hamburg Operational Programme for 2007-2013, covering support for business start-ups, concluded that ESF assisted projects tailored their support to the specific needs and characteristics of migrants in general and female migrants in particular, unlike national programmes, which were not flexible enough to address the specific needs of the target group concerned.<sup>134</sup>

Another evaluation commissioned by the German Bund MA found that the ESF contributed to increasing the efficiency of national support schemes to self-employed people by providing additional support not offered by the national scheme<sup>135</sup>.

The European added value of ESF support to enterprises has mostly been identified by providing incentives to engage in training of the employed. An evaluation of ESF support to enterprises<sup>136</sup> in Poland found that ESF support provided a strong stimulus for micro businesses to train their employees. Some 41% of the micro-sized enterprises (those with under 10 people employed) receiving support had not engaged in training before. Similarly, an evaluation of the Saxony (Germany) ESF programme for 2007-2013 found that half of the

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<sup>132</sup> Deeke, A., C. Ohlert, 2009. Qualifizierungsmaßnahmen während Kurzarbeit nach endgültigem Arbeitsausfall – Analysen zur Förderung im Rahmen des ESF-BA-Programms 2000 bis 2006 und zum Verbleib nach der Teilnahme. IAB Forschungsbericht 3/2009.

<sup>133</sup> Verschraegen, G.; B. Vanhercke and R. Verpoorten, 2010. *The European Social Fund and domestic activation policies: Europeanization mechanisms. Journal of European Social Policy*, 0958-9287; Vol. 21(1): 1–18.

<sup>134</sup> Ad-hoc-Evaluierung der Aktion A.5 – Förderung des Unternehmergeistes – im Rahmen des ESF-OPERATIONAL PROGRAMME Hamburg 2007-2013.

<sup>135</sup> Deeke, Axel, 2010. Arbeitsmarktpolitik mit dem Europäischen Sozialfonds – Analysen zur Umsetzung und zu den Wirkungen der Ergänzung des SGB III aus Mitteln des ESF – Endbericht der Begleitforschung zum ESF-BA-Programm 2000 – 2008. IAB Juni 2010.

<sup>136</sup> Measure 2.3 scheme a) of the Polish Human Resource Development Single Operational Programme 2004 – 2006.

firms receiving ESF support had no prior engagement in training<sup>137</sup>. Also an evaluation of the ESF programme in Estonia arrived at a similar conclusion<sup>138</sup>.

In the area of education policy, evaluations mostly point to the leverage effect of ESF support. An evaluation conducted in Poland concluded that ESF support is the source of a new initiative in education policy.<sup>139</sup>

The added value of ESF support was also seen in paving the way for structural change in pre-school education. The Polish evaluation found that ESF support contributed to popularising pre-school education in rural areas and thus contributed to change parents' attitudes to early child care.

An evaluation of the implementation of equal opportunities as a cross-cutting theme under the Welsh Objective 1 and 3 programmes in 2000-2006 found that project managers often paid only lip service to equal opportunities, because they found it difficult to see how they could be applied in a horizontal manner in practice. In most cases (70% of those examined), equal opportunities were treated as a horizontal priority without a specific strategy. The evaluation considered that the high profile of equal opportunities in the Programmes has raised its importance and has meant that project sponsors have been encouraged to take account of them<sup>140</sup>.

An evaluation of the German speaking Community in Belgium identified the European added value of ESF support in acting as a catalyst in horizontal aspects including innovation, networking, transnationality, sustainability and equal opportunities<sup>141</sup>.

An evaluation of the England Objective 3 programme identified added value of ESF support to people with multiple disadvantages in several respects<sup>142</sup>. Firstly, the ESF provided support to people who otherwise not have benefitted from support. Secondly, ESF support offered higher quality of provision, including: a broader range of services on offer, a stronger focus on individually tailored support, more intensive support and better quality equipment.

## **5. The EGF mid-term evaluation**

The EGF Regulation provides that a mid-term evaluation shall be carried out by 31 December 2011. The external evaluators have just submitted their draft interim report and it is expected that the final report will be delivered in November 2011. As laid down in the EGF Regulation, the evaluation will focus on the effectiveness and sustainability of results.

## **6. PROGRESS Mid-term evaluation**

The integrated PROGRESS Programme (2007-2013) is currently subject to a mid-term evaluation. Preliminary findings (on relevance, effectiveness, efficiency, added value) indicate the following:

- Moving from four separate programmes (2000-2006) to a single one had clear advantages in terms of harmonisation of procedures, reduction of the administrative

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<sup>137</sup> Wagner, G., 2009. Begleitende Evaluierung für den Europäischen Sozialfonds im Freistaat Sachsen 2007-2013 – Evaluierung der Prioritätsachse A, ISW Halle/S., Sept. 2009.

<sup>138</sup> Kasemets, L., K. & K. Klaas, 2008. Evaluation of the results of labour market projects funded by the ESF directed to workers declared redundant and their applicability in labour market policies, Tallinn 2008.

<sup>139</sup> Evaluation of measures for education and training under the ESF, February 2008.

<sup>140</sup> Ecotec, Cross-cutting themes research project, final report, April 2006.

<sup>141</sup> Begleitung und Bewertung des ESF, Ziel 2, im Zeitraum 2007-2013 in der Deutschsprachigen Gemeinschaft Belgiens, Bewertungsbericht 2009, Zweiter Teil, verabschiedet durch den Begleitausschuss im August 2010.

<sup>142</sup> Department for Work and Pensions, Research Report No 376 (Cubie, A./O. Baker), European Social Fund Objective 3, The 2005 Beneficiary Survey for England, 2006

burden and, to some extent, realisation of economies of scale. However cross-fertilization opportunities between the 5 policy sections and with other policies are not fully exploited.

- The annual cycle of planning, implementation, monitoring and evaluation of activities is considered generally fitting, however it is recommended that a multi-annual programming be developed to set more strategic long-term policy objectives combined with annual funding priorities. Results-based management should be maintained, however, monitoring and evaluation should provide more accurate information on the added value and impact for interested parties and citizens.
- Synergies between the programme and the European Social Fund (and other instruments such as the social dialogue) should be more fully exploited. For example, at EU level, coordination and knowledge transfer should be improved between Progress and the ESF in particular in the framework of the Open Method of Coordination. Furthermore, the ESF could help make results of the PROGRESS projects sustainable, for example, by up scaling social experimentation projects in the Member States.
- Despite continued efforts in the last years, visibility and dissemination of PROGRESS results deserves further improvement to ensure sustainability and the long-term exploitation of funded projects.
- Despite some positive examples of integration of the gender dimension into the programme activities, more emphasis is needed on the concrete implementation of this principle, and more should be done to ensure that gender equality is mainstreamed in a meaningful way across all PROGRESS-supported activities.

PROGRESS is implemented through a results-based management approach. There is a strong focus on regularly measuring the progress achieved towards expected results against clearly defined performance indicators. The annual performance monitoring reports point to other key results, notably:

- PROGRESS contributed to improving the quality of the Commission’s policy initiatives by ensuring that they are built on strong evidence as well as making its decision-making processes more accessible and involving a broad range of stakeholders in policy development;
- PROGRESS helped to ensure the correct and effective application of EU law in fields such as health and safety at work, labour law, anti-discrimination and gender equality by monitoring its implementation in the Member States and providing assistance to the Member States in transposing and applying EU law effectively through guidance and training;
- PROGRESS assisted the development of cooperation among national authorities through mutual learning and the exchange of good practices in the employment and social inclusion fields. Peer reviews have proven to provide factual information, to influence agenda-setting and constitute a basis for decision-making for participating Member States;
- In the working conditions area, PROGRESS supported a pioneering use of tools to underpin a smarter approach to regulation as well as the use of Impact Assessments and highly specialised evidence;
- By supporting key EU networks and NGOs active in promoting social inclusion, non-discrimination and gender equality, PROGRESS boosted the capacity of national and

EU networks to take part in and influence decision-making and policy implementation at EU and national levels.

## **7. Evaluation of the Progress Micro-finance facility**

Given the recent establishment of the European Progress Microfinance Facility in March 2010, neither a mid-term nor an ex-post evaluation has been carried out so far.

However, before the crisis, potential demand for micro-credit in the EU was estimated in the short term at over 700 000 new loans worth approximately € 6 296 million in the short term.<sup>143</sup> Most micro-credit in the EU is provided by non-commercial micro-finance institutions (NGOs, foundations, government bodies, Member States' promotional banks and non-bank financial institutions), but these providers do not currently have the capacity or resources to meet this high demand.

The microfinance facility seeks to address this gap. It is estimated that the Union's contribution of € 100 million will be leveraged to more than € 500 million in microloans over eight years. This leverage will be achieved thanks to:

- **Additional funding from other investors.** It is assumed that the Union's investment can attract funding from third parties. The European Investment Bank (EIB) is already committed to matching the Union's contribution and making € 100 million available for the 'funded instruments' part. A further € 50 million is expected to be provided by other investors.
- **The funds' revolving nature.** The funds can be used more than once during the total lifetime of the Progress Microfinance Facility. The Decision provides for the last investment to take place in 2016.
- **Leverage generated by the products.** It is estimated that every euro committed in guarantees could generate between six and seven euro in microcredit while the funded instruments are expected to have a leverage effect of between one and three.

As far as the implementation is concerned, the agreements signed and the forecast for transactions suggest that the various instruments on offer are attractive to a variety of intermediaries which will in turn allow to reach out to the a wide range of beneficiaries including those furthest from the labour market. The Commission and the EIF expect satisfactory fund absorption.

## **8. Evaluation of EURES**

The ex-post evaluation of the EURES programme covering the period 2006-2008 was finalised in 2010 and concluded that:

- EURES has contributed to the development of European labour markets open and accessible to all by providing labour market information, information on living and working conditions and a job matching service.
- EURES Members have taken due note of the identification of mainstreaming into Public Employment Services (PES) as a priority and have worked towards the outputs

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<sup>143</sup> See Communication 'A European initiative for the development of micro-credit in support of growth and employment' (COM(2007)708 final/2 of 20 December 2007) and EMN Working Paper No 5 'Overview of the Micro-credit Sector in the European Union 2006-2007', July 2008.

expected on the part of the Commission. However, a comprehensive approach as to how EURES is to be integrated in the PES was missing and there was a limited understanding of what the integration of EURES into the PES consists of, requires and should result in.

- The Job Mobility Portal and the adviser network facilitated the transnational, inter-regional and cross border exchange of vacancies and indeed labour mobility, though the evaluation evidence suggested that the service offer was sub-optimal and attention was required to achieve the aim of advertising all vacancies notified to PES. Furthermore, the lack of placement data means that it was difficult to estimate the outcomes associated with the advice, guidance and information that jobseekers and job changers access.
- Around 20% of jobseekers and job changers who were surveyed during the evaluation have received a job via EURES and just under half of these have received a job corresponding to their skill level. The jobseekers and job changers, who were in contact with a EURES Adviser while looking for a job, were more likely to receive a job offer than those simply accessing the Job Mobility Portal. At the same time the portal was appreciated by both groups of users who clearly saw the benefit in being able to access – or post – information on vacancies across EEA territory. According to jobseekers and job changers the CV set up function was the most useful of the EURES services.
- Education level was not found to be a barrier to mobility, with jobseekers and job changers without formal qualifications able to secure employment via EURES. Jobseekers and job changers looking for similar work to that they currently had were however more likely to secure a job than those looking for different opportunities.
- A number of other types of activities were carried out in order to promote job matching such as Job Fairs (national and international) and other recruitment events including information / awareness raising sessions (e.g. with employers) and other promotional activities. Based on the available information the EURES network organised 705 events attended by 850 thousand participants between 2006 – 2008.
- The level of human resources employed to deliver the EURES service seemed adequate to meet the needs of jobseekers, job changers and employers, though additional resources will be required if EURES is to evolve to accommodate new services.
- A key conclusion from the evaluation is that there is a real need to introduce a monitoring and evaluation framework linked to a coherent set of indicators to measure performance, outputs, outcomes and impact. Concerning impact, a clear agreed approach on how EURES links to the wider employment policy agenda is necessary as are appropriate indicators regarding evidence on whether EURES contributes to the achievement of policy aims and objectives.

## **ANNEX 5. SUMMARY OF STUDIES COMMISSIONED IN SUPPORT OF THE INITIATIVE**

Four studies in support of the initiative have been completed. They looked at the return on investment in human capital, the possibility to introduce performance based management systems, the possible continuation of administrative capacity building under the ESF. A fourth study consisted actually of focus groups discussion with experts from beneficiaries, managing authorities and the Commission on proportionality, financial engineering and the involvement of local actors.

Three other studies are ongoing. They cover administrative burden in relation to the simplified cost options and the introduction of results-based management, the setting of performance targets and their adjustments according to business cycles, and a statistical study of costs and beneficiaries data for ALMP actions.

In addition to these studies specifically commissioned in support of the initiative, a number of other studies were identified. The major ones are given in

**ANNEX 6.** These are generally studies published in scientific peer reviewed journals or as report or publications by renowned research institute. They have not been conducted on behalf of the Commission but selected for their relevance.

### **Study on the return on ESF investment in Human capital.**

This study carried out by Eureval/Ecorys/Rambøll Management for DG EMPL and completed in August 2010, covered human capital investments understood as public expenditures in: (1) education and training of employees, job-seekers and/or inactive people, (2) internships and temporary work placement associated with education or training, and (3) strengthening the capacity of education and training systems and structures. Overall, such investments account for over 50% of the ESF resources over the current programming period.

The study included three clusters of tasks as follow:

- A synthesis of available research findings related to the return on human capital investments, with a focus on: (1) the impact of training programmes targeting employed people, and (2) the impact of return-to-work programmes targeting job seekers. Based on a first extensive screening of peer-reviewed publications, the research synthesis was improved with the assistance of a panel of seven experts from the EU and the USA.
- A series of impact analyses based on individual data provided by volunteering Managing Authorities respectively in Belgium (Flanders), Italy (Northern regions), Hungary, and Poland. Through these analyses, the study team tested a series of impact analysis techniques, all including control groups. Due to the nature of the available data, this part of the study applied to unemployed people only.
- An in-depth investigation into four success stories of impact analyses that had been carried out in the same four countries between 2005 and 2009. This investigation focused on the process of learning from impact evaluations. The study team discussed the recommendations stemming from this investigation in a focus group meeting attended by several managing authorities.

#### Major findings:

- *Training of employed people is socially profitable* but not rewarding enough at the level of the firm. For this reason there is an under-investment of private funds in this area.
- *Training of unemployed people is socially profitable*, but not for all target groups, and under the condition that it is associated with job-search assistance.
- *There is a rationale for investing public money in systems and structures* at the level of industry,
- It takes years for deriving lessons from an impact analysis. This means that *impacts cannot be included in a performance monitoring system.*

### **Study of output-based and result-oriented conditionality systems for the European Social Fund**

This study which was implemented by Deloitte aimed at exploring possibilities for introducing performance management elements in the relation between ESF managing authorities and the Commission. It was completed in November 2010.

The report first discusses the principal-agent relationship between the Commission and the Managing Authorities within the ESF management structure. The Commission acts as principal vis-à-vis the Managing Authorities, being responsible for the overall implementation of ESF policies across all EU Member States. At lower management level, Managing Authorities acts as principal vis-à-vis project beneficiaries.

Concerning the type of indicators, a performance system based on results (i.e. related to the achievement of their objectives) and impacts might not be appropriate, due to controllability and accountability problems. The measurement of long-term outcomes involves time-consuming, costly and technically complex research techniques and not all Managing Authorities in the EU might be able to apply such techniques. Moreover, the achievement of strategic objectives is only partly attributable to the intervention of the Managing Authorities but depending also on factors out of their control. This does not mean that results and impacts should not be monitored and evaluated, only that the ***funding cannot be conditioned by results and impacts***.

Instead of using the result or impacts at programme level (i.e. related to the Operational Programme objectives), ***it is more realistic to use the aggregated outputs, milestones*** and occasionally some intermediate results achieved by projects within a programme to assess the performance of operational programmes.

However, the outputs and intermediate results of some types of projects are relatively difficult to aggregate as they might differ in nature or they might target different groups of people (trainings can take different forms and target different groups of people). Moreover, for some types of projects within an operational programme, milestone indicators might be more appropriate than outputs (for example, innovative projects). As a result, the use of aggregation of outputs, milestones and intermediate results of projects might be only appropriate for parts of their operational programme.

***An alternative for aggregating the outputs, milestones and intermediate results of project would be to aggregate the “status” of the different projects*** within an operational programme. Regardless of the indicators used to measure the performance and the progress of projects (milestones, outputs or results), managing authorities should all be able to inform the Commission on a regular basis on the “status” of their programme, i.e. are their projects on track or not, according to the chosen performance indicators? A programme being on track, lagging behind or ahead of track, could be a trigger for funding.

A third feasible option related to the aggregation of individual project performance specifically targets the Major Projects in the ESF. Major Projects already exist in the ERDF fund, but not yet in the ESF. ESF Major Projects exceed a given threshold (which should be decided on) and consist of a series of works, activities and smaller projects that contribute to a common objective which is clear and measurable. ***It might be feasible to link funding to the performance achieved at Major Project level.***

In order to enable these three options, Managing Authorities have to be able to define the performance levels of each (type of) project before starting implementation and to monitor regularly the progress of the projects within their operational programme. Therefore, the Commission has to grant managing authorities enough flexibility and responsibility, but at the same time provide them with methodological guidance and tools in order to ensure coherence in the approach across the Managing Authorities.

All ESF management levels - from the project operators to the Commission – have to be involved in the target setting phase of the programme; the involvement of project beneficiaries will continue to be required to ensure that performance levels are realistic and acceptable, whereas the Commission needs to challenge the performance levels set by the managing authorities and to ensure their alignment with the broader strategic objectives.

In a performance-based conditionality system for the ESF, the equilibrium between centralised strategic orientation from the Commission (in partnership with the Member States) and decentralisation of the implementation process at Managing Authorities and project operators level will be an important aspect. A good mix between programme steered by the political level and its implementation under the responsibility of the actors close to the field should be found.

***In order to avoid increasing the administrative burden, the introduction of a performance-based conditionality system should accompany with simplification.*** It is worth mentioning that many problems of administrative burden created by the application of the Financial Regulation might already be tackled by a more flexible interpretation of the rules.

A reading of the Commission proposal on the revision of the Financial Regulation suggests that a minimum level of control by the Commission on the spending by Managing Authorities will continue to be required. Nevertheless, the recent changes (e.g. the possibility to claim indirect costs on a flat rate basis) might have improved the delivery system by making it administratively less cumbersome.

## **Assessment of administrative and institutional capacity building interventions and future needs in the context of European Social Fund**

This study which was implemented by Ecorys for DG EMPL how capacity building has been implemented under the ESF and what lessons can be learned for a possible future priority in this area. It was completed in December 2010.

EU-support to institutional and administrative capacity building is not new: it started already in 1997 under PHARE and as part of the pre-accession process for New Member States. As a pre-accession instrument, implementation of PHARE measures could be enforced as part of the accession negotiations. This leverage power is largely absent under the ESF-regime.

ACB interventions take a different approach depending on the country and the political willingness of formally allocating ESF funding to this priority theme. Although the overall share of the administrative capacity building actions represents formally only a modest 2.7% of all ESF funds, there is strong variation between Member States. Moreover, important ACB-related interventions also take place under other priority themes. These apply notably to partnership with NGO's, labour market, social inclusion and social care institutions, education, work organisation, E-government and Technical Assistance.

ESF tends to respond rather well to the administrative capacity issues identified, such as structures, human resources and systems and tools. Interventions predominantly relating to systems and tools tend to be only effective if embedded in a wider organisational change process and when adopted by the staff working with them. An emerging pattern from the analysis is that the vast majority of priority theme 81 interventions are internal, horizontal and general in nature, meaning that they are not directly related to specific policy fields.

Overall, previous PHARE and ESF support have generated considerable achievements at the level of outputs and results. The same appears to hold true for the current ESF interventions. At project level, clear success factors have been identified.

The strategic rationale which forms a starting point for the future ACB support lies in the Europe 2020 Strategy, and in particular the Integrated Guidelines that put additional challenges to Member State governments at all levels. They involve new tasks, including the provision of new public services, increased resource-efficiency in delivering these services, a need to further reduce administrative burdens, and the modernisation of a wide range of public services including further dissemination of E-government. Further justification for continued ACB-support is provided by the Fifth Report on Economic, Social and Territorial Cohesion (EC, 2010).

The study examined three Options for a future ACB component under the ESF. The case for discontinuing ACB support lies in the fact that ACB is a matter of Member States and that the added value of the EC in general and ESF in particular may not be strong. The second option consists of the continuation of administrative and institutional capacity building interventions in Convergence regions. This option is essentially the no-policy change but would be accompanied by a number of optimisation measures. Option 3, which the study argues is the preferable one, extends ACB support beyond Convergence regions. Future ACB support would be conditional and become part of the development and investment partnership contract.

## **Report on the focus group discussion on Proportionality, financial engineering and the involvement of local actors in the ESF post 2013**

### **(Finalisation pending)**

Between November 2010 and February 2011, Deloitte organised on behalf of DG EMPL 5 focus group discussions on the wider application of the proportionality principle, use of financial engineering and the involvement of local actors in the ESF post 2013. Each focus group meeting was underpinned by an issue paper which formed the basis for a discussion with experts representing beneficiaries, managing authorities and the Commission. The groups were kept deliberately small to facilitate discussions (maximum 10 persons). The ESF Committee Ad hoc group of the future of ESF was given a feed back of the discussions on the occasion of its 3 February 2011 meeting.

### ***Proportionality***

There was a general support for a wider use of the proportionality especially as far as audits are concerned. Some divergences appeared on the need for a general framework for proportionality (that is more flexible) rather than a detailed operational framework that provides for more legal certainty. However both approaches are compatible.

As far as the strategic programming is concerned the main proposals were related to avoid the duplication of parts of documents and to simplify the content of the Operational Programme. For example the description of the Management and Control system is part of the compliance assessment and should not be repeated in the Operational Programme; the part on communication could be included in the Operational Programme and the Communication plan suppressed. The Operational Programme itself should be short, with only what is necessary (and no new requirements). It could eventually be split in two parts: a committing one and a second one, more detailed, for information (modifiable without decision of the

Commission). The opportunity of the DIPCO was contested: additional layer of negotiation, unclear link with the NRP.

Some simplifications were discussed. In addition to those presented by the Commission some experts proposed: to pay Technical Assistance as a flat rate of the Operational Programme; to simplify treatment of revenues; to introduce amounts or rates of simplified costs options in the Regulation, eventually by relying on Eurostat data but it should not undermine Member States prerogative to define rates and unit costs; to set a minimum threshold for irregularities; to maintain eligibility of non recoverable VAT, to have a better alignment with national rules and procedures; to restrict the use of actual expenditure thanks to public tender and simplified costs.

There were also exchanges about the opportunity to implement clearing houses. It is considered as one of the tools for simplification but as a risky one: required data should be known well in advance. However based on its own experience, one of the experts underlined that in theory clearing houses were an excellent idea but that in practice the number of documents to be handled made it very difficult to implement.

Keeping of timesheets was considered as a problem by some of the experts. It was proposed to share experience on this issue during one of the next ESF informal Technical Working Group.

### ***Financial engineering***

The focus group examined the following three options for future financial engineering:

- Policy based guarantee allowing credit enhancement for sovereign, regional and local borrowing in order to increase the available resources for carrying out structural reforms in the areas of employment, social protection and inclusion;
- Secondary market (securitization) for micro and small loans for business creation
- Comprehensive package of services for providers of microfinance comprising institutional building measures and lending products

The participants of the focus group expressed their support for the policy based guarantee and for designing comprehensive packages of services for providers of microfinance. They found that developing secondary markets would require more detailed knowledge and capacity from managing authorities.

### *Involvement of local actors*

- The question of the involvement of local actors in the ESF programmes is closely interlinked with the issue of partnership. Most Many focus group members shared the opinion that the current regulations leave too much room for national interpretations of the partnership principle and suggested experts consider that there is no need for additional requirements in terms of partnership in the regulations. There are many ways to implement the principle of partnership according to Member States specificities, at local, regional and national level. Sufficient flexibility should therefore be left to Member States. One participant expressed a different opinion, considering that huge differences in the implementation of the partnership principle calls for a clearer definition of this principle, more stringent requirements in the regulations and , the establishment of a code of good practice (soft law approach). A majority of experts in the ad hoc group disagreed with this recommendation, considering that sufficient flexibility should be left to Member States and no need additional requirements are thus needed in the regulations. They also highlighted the specific role of the social partners should also be highlighted in the context of ESF interventions.
- Technical assistance is already used in some Member States to facilitate the involvement of small organisations in the implementation of the programmes. There was a strong support among the focus group members for extending this use, in particular for those organisations who do not have the organisational scale and financial resources of technical knowledge to be a solid partner. On the contrary, most members of the Ad Hoc group consider that the current provision is well adapted giving MA the possibility to use such a mechanism if they deem it necessary. Technical assistance should remain distinctively separated from institutional capacity building which provides support to institutional capacity beyond the pure implementation of the fund.
- A majority of experts in the focus group was critical about the idea to create a specific ESF heading priority for local pacts and initiatives or to require a compulsory territorial priority axis. They expressed their opposition to a compulsory priority axis dedicated to the promotion of the territorial dimension in the ESF. These ideas seems to be at odds with the transversal/ multi-sectoral features of local initiatives, the principle idea on concentrating on fewer priorities and the notion of results based management by promoting the means rather than the end. The experts in the ad hoc group expressed their opposition to a compulsory priority axis dedicated to the promotion of the territorial dimension in the ESF. A few experts were not opposed to reflect further on this idea of a dedicated priority axis, as a horizontal mechanism to implement some policy priorities set up in the Operational Programme priority (following the model of Austria).
- The results of local initiatives and small projects driven by NGOs are not demonstrated. There is no evaluation evidence that NGOs and local actors are any better at helping people into work than public bodies or private sector organisations. They often raise important difficulties in terms of control and audit. A few experts were not opposed to reflect further on this idea of a dedicated priority axis, as a horizontal mechanism to implement some policy priorities set up in the Operational Programme priority (following the model of Austria).
- Except for one expert, there was not support expressed for a specific earmarking of the fund (a minimum percentage defined in the regulation) for territorial initiatives in the focus group and in the ad hoc group, since it will infringe the necessary flexibility in

the programming of the funding according to the needs identified and the priorities decided by national authorities. Even "soft" earmarking such as calling for a significant / an appropriate / a reasonable amount" should be avoided as it triggers in a latter stage lengthy and inconclusive discussions between the Member States and the Commission.

- There was no consensus in the focus group on the need for stringent provisions with regard to in-kind contributions, pre-financing or global grants. Most experts in the ad hoc group had strong reservations about any specific funding arrangement for local initiatives and small projects. The use of global grants often leads to administrative complexity and burden for the intermediary body and sometimes high error rates. "In kind" contributions raise important audit issues mainly due to poor record keeping. A differentiated co-financing rate for different types of projects is administratively very difficult and has led to financial corrections in some cases.

## **ANNEX 6. SUMMARY OF OTHER RELEVANT STUDIES**

*ACORD International sa / G.E.A. mbH, Begleitung und Bewertung des Europäischen Sozialfonds, Ziel 2, im Zeitraum 2007-2013 in der Deutschsprachigen Gemeinschaft Belgiens, Bewertungsbericht 2009, 2010.*

Dieses Dokument stellt den dritten Bewertungsbericht der Umsetzung des Operationellen Programms für den Europäischen Sozialfonds in der Deutschsprachigen Gemeinschaft Belgiens für den Zeitraum 2007-2013 dar.

Er ist in zwei Teile gegliedert:

- ❖ Der erste Teil umfasst die Bewertung der Umsetzung des ESF in der DG im Jahr 2009
- ❖ Der zweite Teil geht insbesondere auf die Aspekte ein, die gemäß Lastenheft im Zweijahres-Rhythmus untersucht werden, d.h. einerseits die Zufriedenheit der Teilnehmer/innen in laufenden Projekten und ihre Information zum Projekt und zum ESF und andererseits die Dokumentation bewährter Praktiken bei der Umsetzung der horizontalen Prioritätsachsen in der DG.

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*Altavilla, C., F. E. Caroleo, 2006. Evaluating the Dynamic Effects of Active Labour Policies in Italy; LABOUR, Volume 20, Issue 2, pages 349–382, June 2006.*

This paper aims at analyzing whether Active Labour Market Programs (ALMP) could have different effects on unemployment and employment dynamics according to the particular region where the program is implemented. To this end, the research analyses alternative theoretical and econometric models thought to capture the possible effects that active labour market policies might have on labour forces dynamics. The econometric methodologies implemented are the Generalized Method of Moment (GMM) and the Panel Vector Autoregression (P-VAR). The evidence emerging from the GMM models suggests that the effects of ALMP on unemployment are not similar across the Italian regions. It follows that some active programs are likely to exert a greater effect in the South than in the North. The results of the P-VAR estimated models are synthesized in the impulse response analysis and the forecast error variance decomposition. The impulse response analysis suggests that an increase in ALMP lead to: (i) a decrease in the unemployment rate, and (ii) significant increase in labour force participation. More interestingly, results obtained from the error-variance decomposition analysis show that unemployment movements are not driven by shocks in the ALMP and that, especially in the northern regions, atypical contracts shocks account for a substantial portion of unemployment dynamics.

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*Becker, S.; P. H. Egger and M. von Ehrlich, 2010. Too much of a good thing? On the growth effects of the EU's regional policy. CEPR Discussion Paper No. 8043.*

This paper focuses on the estimation of the response of average annual GDP per capita growth to changes in the intensity of regional transfers provided by the European Commission under the auspices of the Structural Funds and Cohesion Fund programmes. We use NUTS3 data, the most disaggregated regional data available, covering the two most recent EU budgetary periods 1994-99 and 2000-06. Nonparametric generalized propensity score analysis allows us to estimate the causal effect of different levels of EU transfers on GDP growth.

Our results point to an optimal transfer intensity of 0.4 percent of target region GDP and a maximum desirable intensity of 1.3 percent. Transfers to regions below a transfer intensity of 0.4 percent enhance aggregate efficiency as they exhibit a multiplier above one. Regions with EU transfer intensity below 1.3 percent of their beginning-of-period GDP could grow faster by further EU transfers. Regions with a transfer intensity of more than 1.3 percent of GDP could give up EU transfers without experiencing a significant drop in their average annual per-capita income growth rate. For a certain range of transfer intensities, we detect a trade-off between aggregate efficiency and regional cohesion. Reducing the transfers to regions below the maximum desirable transfer intensity significantly harms their growth prospects but may enhance aggregate efficiency, if the transfer intensity was above the optimal level.

Redistribution of EU transfers from the 18 percent of regions that receive more than 1.3 percent of initial GDP as EU transfers to regions below that threshold would be efficient and could boost regional convergence.

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*Blanden, J., F. Buscha, P. Sturgis and P. Urwin, 2010. Measuring the Returns to Lifelong Learning. CEE discussion papers, CEEDP0110. Centre for the Economics of Education, London School of Economics and Political Science, London, UK.*

#### Abstract:

This paper investigates the returns to lifelong learning, which is interpreted as the attainment of qualifications following entry into the labour market. For a number of reasons our analysis of the British Household Panel Survey (BHPS) represents an important addition to the existing evidence base. We allow for financial and non-financial returns to lifelong learning by using as dependent variables both (i) hourly earnings and (ii) CAMSIS score. A fixed effects specification counters the potential biases that arise from unobserved individual heterogeneity and the inclusion of lags allows estimation of how the returns to lifelong learning evolve over a ten year period after the qualification is obtained. We find evidence of earnings and occupation status returns using a broad categorisation of lifelong learning for both men and women, but more variability in returns when disaggregated NVQ-equivalent categories of qualification are considered. Our findings are broadly in line with existing evidence within the UK, which is mostly based on the analysis of cohort studies. Of particular interest is the finding that returns to women materialise much sooner after the attainment of a qualification, than is the case for their male counterparts.

#### Conclusions:

The analysis of the returns to any form of lifelong learning suggests there are significant positive returns for men and women, in terms of both earnings and CAMSIS. The magnitude of effect is similar for both genders, with men and women experiencing a 20 per cent increase in hourly earnings 10 years after gaining a lifelong learning qualification. With respect to CAMSIS, both genders experience a 10 per cent return over the same period. However, interpretation of the time dynamics imply that women experience returns from an investment in lifelong learning sooner than men, as we observe a significant increase in earnings four years after the event; compared to six years for men. Considering changes to CAMSIS arising from participation in lifelong learning the difference is only one year and returns to women materialising after one year. The implication for the wider literature is that social status

returns seem to be more immediate for both sexes, but for women both pecuniary and non-pecuniary returns are realised sooner than is the case for their male counterparts. [...]

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*Car, D., J. Kluge & A. Weber, 2010. Active Labour Market Policy Evaluations: A Meta-Analysis. Economic Journal, 120 (November), F452–F477.*

This article presents a meta-analysis of recent microeconomic evaluations of active labour market policies. We categorise 199 programme impacts from 97 studies conducted between 1995 and 2007. Job search assistance programmes yield relatively favourable programme impacts, whereas public sector employment programmes are less effective. Training programmes are associated with positive medium-term impacts, although in the short term they often appear ineffective. We also find that the outcome variable used to measure programme impact matters, but neither the publication status of a study nor the use of a randomised design is related to the sign or significance of the programme estimate.

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*Cubie, A., O. Baker European Social Fund Objective 3: The 2005 beneficiary survey for England, Department for Work and Pensions Research Report No 376, 2006.*

The researchers carried out two waves of longitudinal research among beneficiaries of European Social Fund (ESF) training. The first wave drew on the views of 4,682 beneficiaries while they were enrolled on an ESF course and the second wave involved interviews with 2,063 of the same beneficiaries once they had left their course.

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*Deeke, Axel, 2010. Arbeitsmarktpolitik mit dem Europäischen Sozialfonds – Analysen zur Umsetzung und zu den Wirkungen der Ergänzung des SGB III aus Mitteln des ESF – Enderbericht der Begleitforschung zum ESF-BA-Programm 2000 – 2008. IAB Juni 2010.*

Ein erheblicher Teil der ESF-Mittel des Bundes wurde seit dem Jahr 2000 bis zum Herbst 2008 in Verbindung mit der individuellen Arbeitsförderung nach dem SGB III im Rahmen des bundesweiten ESF-BA-Programms eingesetzt. Das Programm sollte die gesetzliche Arbeitsförderung qualitativ ergänzen.

Das Programm sollte die Beschäftigungsfähigkeit von Arbeitslosen im Verhältnis zum SGB III zusätzlich bzw. verstärkt fördern, um Langzeitarbeitslosigkeit zu verhindern und vom Ausschluss vom Arbeitsmarkt bedrohte Personengruppen zu unterstützen.

Das Programm setzte bei einigen Förderlücken des SGB III an, erweiterte den von Arbeitsförderung (bei beruflicher Qualifizierung) erreichbaren Personenkreis und sollte das Wirkungspotential der ergänzten gesetzlichen Förderinstrumente steigern. Da sich die Problemlage auf dem Arbeitsmarkt nicht geändert hatte und weil die Umsetzung des Vorläuferprogramms „AFG-Plus“ als relativ erfolgreich eingeschätzt wurde, gab es aus Sicht der Verantwortlichen keinen Anlass, das neue Programm grundsätzlich anders zu schneiden.

Dieser Bericht dokumentiert die Begleitforschung, die über die gesamte Laufzeit hinweg als ein Verbund mehrerer Teilprojekte erfolgte. Diese wurden ablaufbedingt mit unterschiedlicher Intensität und Schwerpunktsetzung durchgeführt wurden. Sie beinhalteten insbesondere:

- ❖ den Aufbau und die Fortschreibung einer Individualdatenbank mit den relevanten administrativen Daten der BA zu geförderten Personen und Vergleichsgruppen,
- ❖ Erhebungen und Analysen zur Implementation des Programms als zentraler Baustein der Evaluation auf Programmebene,
- ❖ Erhebungen und Analysen zur Zielgruppenerreichung,
- ❖ Verbleibsanalysen im regionalen Vergleich,
- ❖ mikroanalytische Wirkungsuntersuchungen zu Instrumenten und Leistungen des Programms

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*Deeke, A., C. Ohlert, 2009. Qualifizierungsmaßnahmen während Kurzarbeit nach endgültigem Arbeitsausfall – Analysen zur Förderung im Rahmen des ESF-BA-Programms 2000 bis 2006 und zum Verbleib nach der Teilnahme. IAB Forschungsbericht 3/2009.*

In the case of definite loss of employment because of substantial works alteration, establishments can implement short-time work according to regulations in the SGB III. Short time compensations could be approved for a duration of up to two years until 2003 (Strukturkurzarbeitergeld) and since 2004 with a duration of up to one year (Transferkurzarbeitergeld). The establishments are encouraged by the law to take care of the placement of the short-time workers in new jobs and for this purpose to provide measures of vocational training if necessary. These measures could be subsidized in the framework of the ESF-BA-program from 2000 to summer 2008 and since then by the new ESF-federal-program. Thus for the evaluation of this promotion by the ESF the question arises, in how far the chances for the short-time workers to find a new job, increase with the participation in the training measures.

An impact analysis of vocational training during short-time work is not possible with the available data. The data bases of the BA lack person and establishment specific data on characteristics and dates of the short-time work and the short-time compensation. The few individual-related data on participations in training measures subsidized by the ESF have several deficits and are therefore inadequate for elaborate analyses. Nevertheless, analyses on the structures and the amount of the subsidies and most notably on the status of the participants after leaving the training measures and the short-time work are presented. Even though under some reservations, basic information can be given on the results of the training measures. This includes the finding that more than forty percent of the participants are in non-subsidized employment liable to social security one year past the training measure and also two years later. Besides this and other empirical evident results, conclusions are drawn with respect to the difficult situation with the data. Recommendations are given, which could alleviate the upcoming evaluation of the subsidy of training during short time work in the framework of the ESF-federal-program that just started and runs until 2013.

Deeke, A, R. Cramer, R. Gilberg, D. Hess & M. Baas, 2009. *Evaluation der Förderung beruflicher Weiterbildung im Rahmen des ESF-BA-Programms. IAB Forschungsbericht 1/2009*

The promotion of further vocational training for unemployed persons according to SGB III was supplemented by the European Social Fund (ESF) from the beginning of 2000 to autumn 2008. 80 per cent of the total of 116,000 promoted cases is allocated to the years 2000 to 2002. An impact analysis is presented in this report covering the population participating in these years. Outcomes subsequent to participation are measured, firstly, by the fact whether participants entered into employment at all and, secondly, by transition into non-subsidized employment liable to social security. Unemployed non-participants and participants without additional ESF-funding serve as comparison groups. Separate analyses were run for subgroups where possible (West/East Germans, non-recipients of benefits according to SGB III, male/female participants and, in an excursus, migrants with and without additional language courses).

The analysis is empirically based on the longitudinal data from representative panel surveys of ESF-funded participants and comparison groups whose samples were drawn on the basis of exact pre-matching with process-produced data. The method of event history analysis was applied throughout the study (partly supplemented by propensity score matching, which, however, can estimate status probabilities but not probabilities of transition). First of all, transition rates for the overall observation period of six years were compared (Kaplan-Meier estimator). In the following the effect of participation was estimated in a Cox regression, taking into account further explanatory factors (such as personal characteristics, regional and program-related heterogeneity, job-seekers' behaviour). Since, other than earlier studies, this analysis was conducted with longitudinal survey data using more elaborate methods, the results of preliminary findings are obsolete now. In contrast to earlier findings, *a clearly positive effect of supplementary ESF-funding on individual benefits can be found*. Compared to unemployed nonparticipants, participants supported by the ESF were more successful on the labour market in the medium and long run (especially participants in West Germany and the group of non-recipients of statutory benefits). With reference to further vocational training without ESF-funding, the results point to positive outcomes as well.

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Dmitrijeva, J., 2009. *The employment effects of public training programme: evidence from Latvian micro and macro data*.

During the transition to market economy and the accession to the EU Central and Eastern European countries have witnessed remarkable changes in the structure and functioning of national economies. The aim of this paper is to investigate the role of active labour market policy (ALMP) programmes in smoothing the consequences of transitional shock and improving the performance of the labour market. We evaluate the employment effects of publicly provided unemployed training programme in Latvia from both micro and macroeconomic perspectives.

First, the individual effects of the programme are assessed. Using the individual data provided by State Employment Agency of Latvia, we investigate the impact of participation on unemployed transitions to jobs, examine heterogeneity of treatment effects across different socio - demographic and regional groups and examine the empirical link between targeting of

the programme and its efficiency. We also test the sensitivity of our results to the so-called "hidden" bias.

Next, the aggregate impact on the outflows from unemployment to jobs is analyzed using monthly panel data (1999-2006) data from 33 Latvian districts. The analysis is performed by estimating the augmented matching function, where the correct specification of the hiring process is obtained by allowing for stock-flow matching. The results allow to quantify the aggregate outcomes of training and to assess temporal evolution in programme efficiency (by comparing pre EU accession to post accession periods) or its regional distribution. The estimation results are further employed to perform a costs-benefit analysis of the programme.

Generally, the effects of unemployed training are confirmed to be positive at both macroeconomic and individual levels: involvement of unemployed in training increases aggregate outflows from unemployment to jobs and increases individual employability of participants.

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*Dickinson, P. and R. Lloyd, 2010. DWP research Report 666: European Social Fund - Support for In-Work Training research*

The projects complemented a range of sub-regional, regional and national agendas, with the fit appearing closest amongst the Convergence Priority 5 projects in Cornwall, where explicit reference was made to a range of local strategic drivers and priority activities. There are a number of possible reasons for this, including existing familiarities between the actors involved, the focus on a smaller number of providers available within the county, and previous experienced and strategic awareness resulting from the previous Objective 1 programme.

The Priority 2 projects had a more implicit strategic fit, which is likely to be due to the influence of co-financing (where the 'contracting' model addresses many of the wider strategic parameters in advance), and may also explain why fewer examples of strategic partnerships were identified. However, operational partnerships were plentiful, and served to broaden the range of provision (sectorally and geographically), enhance progression routes, and provide expertise.

In both cases, it was too early (and sample sizes did not allow) for clear conclusions to be drawn regarding the influence of strategic alignment with project performance and impact. However, *in many cases the projects were positioned, and able to articulate their expectations, in terms of making real contributions to local, regional and national priority areas.*

In terms of the targeting of project activities, most employers were targeted on the basis of their sector or location. Whilst the projects were working with a broad range of learner groups, the targeting of individuals by specific characteristics was limited. Here Priorities 2 and 5 projects appear to differ from those under Priority 1 – not least as the engagement is with the employer rather than the individual.

Whilst there were examples of innovative projects, including the Innovation and Transnationality project studied, most provision was conventional. This is likely to be due to the more prescriptive nature of contracts under co-financing, and because activities tended to be delivered by experienced providers, to existing customers, and complementing mainstream provision. Most provision therefore operated within certain parameters defined by CFO plans and tenders, qualification structures (e.g. NVQs), and years of experience as to what worked.

Most engagement, assessment and provision tended to be undertaken by the providers themselves, only bringing in partners to recruit and work with employers and learners in new sectors or areas.

*High levels of satisfaction were expressed by both the employers and learners interviewed (although it should be noted that the contact details of employers and learners were supplied by the providers in question). Providers believe they have developed flexible, relevant and high quality provision, and this was reflected in the views of the employers and learners, who valued the responsiveness, pertinence and calibre of the training offered.*

However, the progression and aftercare stage of the participant journey seems the least developed. Most providers, employers and learners had little to say about this stage. For some this was because they had only just embarked on the training, and most employers expected this discussion to happen. However, some learners had been disappointed by the lack of further information, advice and guidance offered, even when they had asked for it.

The monitoring of ESF projects appears to be light touch; however, this does not seem to have impacted on performance as indicated by the high satisfaction levels of employers and learners who could find little wrong with the provision. Providers, employers and learners all identified the same range of ‘soft’ and ‘hard’ impacts, i.e. addressing skills needs, improving confidence and increasing productivity. *Some providers believed that this was due to ESF funding as it helped them to develop or enhance existing provision, support harder to reach learners and employers, and develop innovative and flexible provision.* However, providers believed that ESF paperwork was still too excessive, and there was an issue over the definition of, and collecting evidence for, job outcomes for Response to Redundancy providers.

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*Drever, E., C. Llyod, 2010. DWP Research Report 709: European Social Fund Cohort Study - Wave 2*

The majority of participants (94 per cent) had finished their course when they took part in the Wave 2 ESF Cohort Study.

The study found that the rate of unemployment among Priority 1 and 4 participants fell from 69 per cent in the week before the course to 43 per cent at the time of the Wave 2 interview, while the employment rate rose from six per cent to 27 per cent in the same period. However, the rate of unemployment at the time of interview was similar to the rate among these participants 12 months before the course (42 per cent). As the courses funded by the ESF programme by definition target a group of the population that have become unemployed and have been identified as potentially benefiting from these courses, this is not unexpected. It is also important to note that interviews took place during the economic recession, which may also account for this. Participants with a disability or LTLI were less likely than other groups to have moved into work.

Of those participants who were in employment at the time of the interview and who had been out of work in the week before the course, 22 per cent said that someone on the course had suggested that they apply for their current job, while a similar proportion (22 per cent) had used contacts from the course when applying for their current job.

Of those participants who were unemployed at the Wave 2 interview, most had made job applications (69 per cent) since the Wave 1 interview while over half had been to job interviews (56 per cent). Thirty-three per cent of unemployed participants had used contacts

from the course in their job search, while 28 per cent said that someone on the course had suggested that they apply for particular jobs.

Fifty-five per cent of those participants who were employees said that, since they had been on the course, they had improved their job security. Of these, a high proportion (87 per cent) agreed that the course had helped them in this area. The course also seemed particularly beneficial to those employees who had taken on higher skilled work for an existing employer (34 per cent) – with 87 per cent acknowledging that the course had helped them to do this work.

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*Kasemets, L., K. & K. Klaas, 2008. Evaluation of the Results of Labour Market Projects Funded by the European Social Fund, Directed to Workers Declared Redundant and their Applicability in Labour Market Policies, MindPark Llc, Tallinn, 2008.*

#### Objectives and scope of the evaluation

- ❖ Immediate objective of the assessment was to analyse the results of the labour market projects directed to workers declared redundant, financed by the European Social Fund measure 1.3 „Equal opportunities in the labour market“. For fulfilling the aim, project-based analysis of target groups, applied measures, costs of the measures and achieved results was conducted. This analysis was complemented by highlighting best practices and making proposals for improving the quality and impact of labour market services. Also assessment on their broader applicability in labour market policies was conducted.
- ❖ Implemented labour market measures as well as competitiveness and motivation drivers of the target group formed the core of analysis. All labour market project financed by ESF measure 1.3 in 2004-2007 were analysed. In total, 6 projects were evaluated, out of which 5 projects, with 1830 participants, have been finalised. 1 project, planning to support 360 laid-off employees is ongoing at the time of evaluation.
- ❖ Evaluation consisted of 3 phases. First phase of the assessment was based on the analysis of project documentation. In the second phase comprehensive package of in depth interviews were conducted. Interviews were held with members of the project teams, representatives of enterprises and laid-off employees who had participated in these projects. Selection of participants was representative comprising of workers being targeted by both individual and collective redundancy, having different educational background, belonging to various age groups etc. The third phase tied the outcomes of the previous evaluation phases into comparative study. Based on that the main findings and recommendations were formulated on the effectiveness of the projects and measures provided as well as on their broader applicability in labour market policies.

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*Kluge, Jochen; RWI Essen and IZA Bonn, 2006. The Effectiveness of European Active Labour Market Policy*

Measures of Active Labour Market Policy are widely used in European countries, but despite many econometric evaluation studies no conclusive cross-country evidence exists regarding "what program works for what target group under what (economic and institutional) circumstances? This paper results from an extensive research project for the European

Commission aimed at answering that question using a meta-analytical framework. The empirical results are surprisingly clear-cut: Rather than contextual factors such as labour market institutions or the business cycle, it is almost exclusively the program type that matters for program effectiveness. While direct employment programs in the public sector appear detrimental, wage subsidies and "Services and Sanctions" can be effective in increasing participants' employment probability.

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*Lindley, J., McIntosh, S., Roberts, J., Murray, C.C. and Edlin, R. (2010) Using Financial Incentives and Improving Information to Increase Labour Market Success: A Non-Parametric Evaluation of the 'Want2Work' Programme. Working Paper. Department of Economics, University of Sheffield*

The 'Want2Work' programme was designed to help individuals back into work. This article uses propensity score matching to evaluate the success of a policy that cannot otherwise be evaluated using standard parametric techniques. Using a range of estimation methods, subsamples and types of job, the scheme was successful. Our most conservative estimates indicate that participants were 4-7 percentage points more likely to find employment than a control group of non-treated job-seekers. Effects were even stronger for Incapacity Benefit recipients. Moreover, there is little evidence that participants were placed in low quality or temporary jobs.

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*Lücke, C. & L. Heyn, 2010. Ad-hoc-evaluierung der Aktion A.5 „Förderung des Unternehmergeistes“ im Rahmen des ESF-OP Hamburg 2007- 2013.*

## **"10.1 Zusammenfassung**

....

Insgesamt zeichnen sich die ESF-geförderten Projekte zur Unterstützung der Migrantenökonomie dadurch aus, dass sie *einen Mehrwert bzw. eine Zusätzlichkeit gegenüber bestehenden Maßnahmen der Freien und Hansestadt Hamburg* bieten, auf spezifische Bedarfslagen und ungenutzte Potenziale reagieren und zur Stärkung des Unternehmertums in der Freien und Hansestadt Hamburg beitragen. Die drei geförderten Projekte unterstützen Migranten, durch die Etablierung eines Unternehmens dauerhaft am Marktgeschehen teilzunehmen und auf diese Weise das wirtschaftliche Potenzial durch die Schaffung neuer Arbeitsverhältnisse und langfristig auch Ausbildungsverhältnissen auszubauen und auszuschöpfen. ...."

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*McNaughton Nicholls, C.; M. Mitchell, A. Brown, N. Rahim, E. Drever and Cheryl Lloyd, 2010. DWP research Report 667: Evaluation of Gender Equality and Equal Opportunities within the European Social Fund*

The focus of the Gender and Equal Opportunities within the European Social Fund (ESF) research is on equal opportunities as a cross-cutting theme, looking at how equal opportunities are integrated into all aspects of the programme. The study aims to examine the effectiveness

of equal opportunities policy and practice within ESF, in the context of helping to tackle the barriers experienced by each of the equality groups including examining organisational policies within projects as they relate to equal opportunities and the mainstreaming of equal opportunities, drawing upon research on participation and outcomes of different equality groups and examining the factors affecting participation, including discrimination and making recommendations for good practice to encourage equal opportunities on ESF projects.

" *substantial progress has been made*, however work still needs to be done in order to make mainstreaming even more effective, including: clarification of what specific work should be undertaken by CMs and providers to promote Gender Equality and Equal Opportunities; the application of consistent measures of progress and good practice in relation the promotion of Gender Equality and Equal Opportunities (such as Equality Impact Assessments (EIAs)); and further dissemination of information relating to these measures."

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*Reinowski, Eva; Schultz, Birgit, 2006. Micro-econometric Evaluation of Selected ESF-funded ALMP-Programmes. Halle Institute for economic research, September 2006*

The study evaluates different ESF-funded labour market programmes by comparing the labour market status at different points in time after the treatment. In order to solve the selection problem we employ a standard matching algorithm with a multi-dimensional distance measure. The effects of the analyzed programmes (wage subsidies, start-up subsidies and qualification measures for recipients of social welfare) are very heterogeneous. It can be observed that the direct integration into the regular labour market provides an advantage for the supported individuals. Its lasting effects, however, strongly depend on the group of persons being supported, the type of treatment and the employers' financial share.

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*Rothgang, Michael, 2008. Evaluating the efficiency of the ESF — What can we learn from the German experience? Society and Economy, vol.30, n°2,, pp. 227-244.*

In Europe, the new member states face the challenge to implement and evaluate EU-funded policies. This paper sketches the experiences in evaluating policy instruments funded by the European Social Fund (ESF) in Germany and discusses lessons to be learned from the comprehensive evaluation of ESF-funded policy measures in Germany in the programming period 2000–2006. It presents the matching procedure we used to estimate the net effect of the projects scrutinised. The experiences from the evaluation not merely comprise the methodological aspect (how to evaluate effectiveness and efficiency of labour-market policies), but also consequences that can be drawn in respect to the institutional background.

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*Verschraegen, G.; B. Vanhercke and R. Verpoorten, 2010. The European Social Fund and domestic activation policies: Europeanization mechanisms. Journal of European Social Policy, 0958-9287; Vol. 21(1): 1–18.*

This article analyses the effects of the European Social Fund (ESF) on domestic activation policies in the three Belgian regions: Flanders, Wallonia and Brussels. We argue that over the last decade *the ESF has had a catalytic impact, first on the innovation of activation*

*instruments, second on the governance of employment policies and third on policy framing.* We explain how three different mechanisms (leverage, conditionality and learning) generate these effects and how they can account for a differential influence in different regions. We conclude by summarizing our research findings and framework, suggesting its usefulness for analyzing other domestic settings and European policy instruments.

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*Wagner, G., 2009. Begleitende Evaluierung für den Europäischen Sozialfonds im Freistaat Sachsen 2007-2013 – Evaluierung der Prioritätsachse A, ISW Halle/S., Sept. 2009.*

By introducing accompanying evaluation of the Operational Programme (OP) of ESF Saxony 2007-2013 a general survey was provided about the state of the implementation of the OP and the available databases. This first period of the OP Evaluation was finalized in March 2009.

Following up the introduction, key evaluation and monitoring issues of the OP were presented on several programme levels of the priority axes (PA) starting with priority axis A (PA A). The evaluation will be taken up as an evaluation of several measures co-financed by ESF (“thematic evaluation”) and from measure-wide perspective (“programme evaluation”). The main references are the graded-questions of the evaluation plan fixed within the OP.

The programme evaluating report for the PA A contains the following key evaluations in particular:

- ❖ the improvement of general conditions for the implementation of PA A (chap. 2)
- ❖ strategic adjustment/ development of the OP as well as the goals and the indicators for the PA A (chap. 3)
- ❖ the specification of the strategy in single measures and the state of implementation of these measures (chap. 4)
- ❖ the results and impacts of the intervention (chap. 5)

## **ANNEX 7. MULTI-CRITERIA DECISION ANALYSIS OF THE ESF SCOPE OPTIONS**

The Impact Assessment (IA) of the legislative proposal on the future ESF Regulation presents a set of objectives and policy options, which are not likely to be assessed by traditional quantitative methods for evaluation (like cost benefit-analysis) because are not quantifiable in monetary terms. Most of them are not even quantifiable in other units (making also impossible a cost-effectiveness analysis).

This represents a typical case of Multi Criteria Decision Analysis (MCDA) where we cannot assume the availability of measurement of the main variables to be considered. The model which could best fit our needs is the Analytic Hierarchy Process (AHP). Using the AHP involves the mathematical synthesis of numerous judgments about the decision problem at hand.

The AHP is a structured technique for organizing and analysing complex decisions, based on mathematics. It provides a comprehensive and rational framework for structuring a decision problem, for representing and quantifying its elements, for relating those elements to overall goals, and for evaluating alternative solutions.

The analysis is done in a number of steps. The first is to define a hierarchy of criteria on which the assessment of the different options can be based. Once the hierarchy is built, the options are assessed by comparing them to one another, two at a time, with respect to their impact on each criterion. The AHP converts these evaluations to numerical values to be processed and compared over the entire range of the problem. A numerical weight or priority is derived for each element of the hierarchy, allowing diverse and often incommensurable elements to be compared to one another in a rational and consistent way.

In the final step of the process, numerical priorities are calculated for each of the decision alternatives. These numbers represent the alternatives' relative ability to achieve the objectives.

### **1. Criteria**

From a logical point of view, it seems reasonable to use the Specific Objectives identified in the previous sections of the IA also as the criteria to assess the contribution of each one of the four options. These criteria will thus be:

- Institutional Capacity Building (ICB)
- Employment (EMP)
- Education (EDU)
- Social Inclusion (INC)

### **2. Options**

The four scope options identified are:

- Option 1.1: no-policy change, it corresponds to an ESF covering policies and actions leading directly or indirectly to employment and enhancing inclusion;
- Option 1.2: the ESF is narrowly focussed on policies and actions leading directly to employment;

- Option 1.3: the ESF has a broad scope for interventions covering policies and actions leading directly or indirectly to employment or social inclusion; and
- Option 1.4: broad scope for ESF as in option 3, but covers also income support.

### 3. Hierarchy of criteria

The basic assumptions here are that:

- EMP is the main objective of the ESF, representing it "core business".
- EDU and INC are equally important, on a second level of priority compared to EMP, but are certainly more relevant than ICB.

This results in the following matrix.

	ICB	EMP	EDU	INC
ICB	1.000	0.167	0.250	0.250
EMP	6.000	1.000	2.000	2.000
EDU	4.000	0.500	1.000	1.000
INC	4.000	0.500	1.000	1.000

The resulting ranking of the criteria is as follows:

1. EMP	Employment	0.451
2. INC	Inclusion	0.242
3. EDU	Education	0.242
4. ICB	Institutional Capacity Building	0.065

### 4. Contribution to the Specific Objectives/Criteria

In this section the contribution that each option brings to the achievement of the specific objectives is quantified and ranked. These are used as the criteria to assess the options. The process of calculating the contribution to the objectives is based on a set of assumptions described below, and explained in the previous sections of the Impact Assessment.

#### a. Contribution to Institutional Capacity Building

Assumptions: Option 3 is the one which best contributes to the ICB criterion, followed by option 1, then option 4, and last is option 2, which excludes this type of interventions except for employment services.

Options	1.1	1.2	1.3	1.4
1.1	1.000	3.000	0.500	2.000
1.2	0.333	1.000	0.250	0.500
1.3	2.000	4.000	1.000	3.000
1.4	0.500	2.000	0.333	1.000

The resulting contribution of each option to this specific objective/criterion is:

Institutional Capacity Building	
Option 1.1	0.277
Option 1.2	0.096
Option 1.3	0.466
Option 1.4	0.161

### b. Contribution to Employment

Assumptions: Option 1.2 is the one which best contributes to the EMP criterion, by concentrating on it all the resources. Option 1.1 is the second best, followed by option 1.3, and last is option 1.4, which risks dispersing the effort of employment, through many other types of interventions.

Options	1.1	1.2	1.3	1.4
1.1	1.000	0.500	2.000	3.000
1.2	2.000	1.000	3.000	4.000
1.3	0.500	0.333	1.000	2.000
1.4	0.333	0.250	0.500	1.000

The resulting contribution of each option to this specific objective/criterion is:

	Employment
Option 1.1	0.277
Option 1.2	0.466
Option 1.3	0.161
Option 1.4	0.096

### c. Contribution to Education

Assumptions: Options 1.1 and 1.3 are equally contributing to this objective, more than option 1.4, which faces the same risks of dispersion previously explained, and much more than option 1.2.

Options	1.1	1.2	1.3	1.4
1.1	1.000	4.000	1.000	2.000
1.2	0.250	1.000	0.250	0.500
1.3	1.000	4.000	1.000	2.000
1.4	0.500	2.000	0.500	1.000

The resulting contribution of each option to this specific objective/criterion is:

	Education
Option 1.1	0.364
Option 1.2	0.091
Option 1.3	0.364
Option 1.4	0.182

### d. Contribution to Inclusion

Assumptions: Option 1.3 is the one contributing most to the inclusion objective, followed by option 1 and then 4. Option 1.2 excludes this type of interventions.

Options	1.1	1.2	1.3	1.4
1.1	1.000	2.000	0.333	0.500
1.2	0.500	1.000	0.250	0.333
1.3	3.000	4.000	1.000	2.000
1.4	2.000	3.000	0.500	1.000

The resulting contribution of each option to this specific objective/criterion is:

	Inclusion
Option 1.1	0.161
Option 1.2	0.096
Option 1.3	0.466
Option 1.4	0.277

## 5. Comparison of the Options

According to the values calculated above, the overall score for each option can be determined as follows:

$$X = \sum (K_X * K_r)$$

Where X is the option,  $K_X$  is the value of the criterion K for the option X, and  $K_r$  is the relative weight of this criterion.

The final ranking and scores of the four options is:

Final Scores

Option 1.3 0.304

Option 1.1 0.270

Option 1.2 0.261

Option 1.4 0.165

The option which best contributes to our overall objective, broken down into weighted specific objectives, is 1.3.

## **ANNEX 8. PROPOSED COMPULSORY COMMON INDICATORS FOR ESF CO-FINANCED ACTIONS**

Total number of participants<sup>144</sup> (calculated on the basis of output indicators)

### **Output indicators for participants<sup>145</sup>**

Breakdown of participants by gender, by people entering and leaving support

These data are to be provided in the annual implementation reports as set out in Art. 57(1) and (2) of the General Regulation.

- Unemployed, including LTU\*
- LTU\*
- Inactive\*
- Inactive, not in education or training\*
- Employed, including self-employed\*
- Below 25 years\*
- Above 54 years\*
- With primary (ISCED 1) or lower secondary education (ISCED 2)\*
- With upper secondary (ISCED 3) or post-secondary education (ISCED 4)\*
- With tertiary education (ISCED 5 and 6)\*
- Migrants, people with a foreign background, minorities (including marginalised communities such as the Roma)\*\*
- Disabled\*\*
- Other disadvantaged\*\*

### **Output indicators for entities**

These data are to be provided in the annual implementation reports as set out in Art. 57(1) and (2) of the General Regulation.

- NGOs
- SMEs

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<sup>144</sup> Participants refer to direct beneficiaries who can be identified and asked for their characteristics, and for whom specific expenditure is earmarked.

<sup>145</sup> The arrangements for data processing put in place by the Member States shall be in line with the provisions of the Directive 95/46 of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, in particular with Article 7 and 8 thereof.

Data reported under the indicators marked with \* is personal data according to Article 7 of the above Directive. Its processing is necessary for compliance with a legal obligation to which the controller is subject (Article 7(c)). For the definition of controller see Art. 2 of the above Directive.

Data reported under the indicators marked with \*\* is a special category of data according to Article 8 of the above Directive. Subject to the provision of suitable safeguards, Member States may, for reasons of substantial public interest, lay down exemptions in addition to those laid down in paragraph 2 (of the same Article) either by national law or by decision of the supervisory authority (Art. 8. 4).

**Immediate result indicators**

Breakdown of participants by gender

These data are to be provided from 2017 onwards in the annual implementation reports as set out in Art. 57(1) and (2) of the General Regulation.

- Inactive participants newly in job searching upon leaving
- Participants newly in education/training upon leaving
- Participants gaining a qualification upon leaving
- Participants newly in employment upon leaving

**Longer-term result indicators**

Breakdown of participants by gender

These data are to be provided in the annual implementation report and the final report set out in Art. 57 (4) of the General Regulation.

- Participants in employment 6 months after leaving
- Participants in self-employment 6 months after leaving
- Participants with improved labour market situation 6 months after leaving