2016 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER THYSSEN

Hearing on 27 November 2017

EU 2020 objectives:

1. What are the main findings, from the point of view of DG EMPL, of the "The 7th Report on Economic, Social and Territorial Cohesion. The future of the European Structural and Investment Funds in our regions"?

Commission's answer:

In 2016, the **employment rate** reached 71% which is above the pre-crisis level but still well below the 75% target set by the Europe 2020 strategy. Similarly, the **unemployment rate** in the EU has fallen from a high of 10.9% in 2013 to 8.6% in 2016, still above the 7% it was in 2008. **Youth unemployment** – a key issue for our DG - followed a similar pattern, but remains above 40% in Greece and Spain.

Importantly however, the situation **varies markedly across the EU**. For example, in Spain, Greece and Cyprus the employment rate stayed below the pre-crisis levels.

More positively, the **gender gap in employment** has been steadily narrowing every year, including over the crisis years.

Concerning the **risk of poverty or social exclusion** in the EU – it has fallen back to its pre-crisis level, but it remains higher in EU-15 cities and in EU-13 rural areas. Together with an **increase in inequality** in many Member States, it is one of the main challenges to social cohesion.

Regional disparities have not narrowed yet, but they have largely ceased to widen.

Yet **big differences in poverty, unemployment and income between EU regions** encourage people to move to find better employment opportunities and to escape poverty. This includes **intra-EU migration** from EU-13 to EU-15 MS, and in the EU-13 MS - from rural to urban areas.

In the recent past, the EU has also seen a **rapid increase in asylum-seekers**. Finding their place in society poses new challenges to social cohesion, especially in EU-15 urban areas.

As to **education and training** – at EU level, the share of those aged 18–24 with no qualifications beyond basic schooling and no longer in education or training in the 2014–2016 period was 11% - 1% under the EU2020 target, close to the target, but with wide differences between and within countries.

Unfortunately, there are also **persistent skills gaps in terms of literacy and**

numeracy, which hold people back from participating in society and in the economy.

The 2017 Cohesion report shows that meaningful investments are necessary for the current economic recovery to be sustainable. The Commission is committed to continue investing in people. We will soon launch a public consultation on EU funding post-2020. I encourage you to take active participation in the debate and in the consultation, which will shape the future of EU social investment.

For the future funds the Commission considers a stronger alignment of human capital investments with other policy priorities needs to be ensured in order to support through concrete actions the European Pillar of Social Rights and reinforce upwards convergence. The implementation process needs also to be simplified, leading to a radical simplification of existing rules and procedures, and exploring further synergies with other instruments supporting human capital investment. A funding architecture that invests in people in need of support is also necessary by supporting policy reform in the area of Human Capital Development and promoting policy experimentation to adapt to adverse and unexpected situations. This requires a thorough reflection on the programming architecture, the territorial aspects of and allocation methods for the funds.

The Commission also refers to the reply of Commissioner Cretu on this question.

2. DG EMPL failed again to publish, as demanded by the European Parliament over the last two years, the recommendation of the directorate general for the country specific recommendations (CSR). When does DG EMPL intend to comply with Parliament's demand?

Commission's answer:

The analytical and technical work performed by the Commission services prepares the decision of the College of Commissioners in the context of the European Semester. Based on a comprehensive assessment of the economic situation in each country, the Commission proposes country-specific policy advice for each Member State (in particular: Commission recommendation for a Council Recommendation on the National Reform Programme and delivering a Council opinion on Stability or Convergence Programme of the respective MS). The recommendations are discussed by the Council and endorsed by the European Council in June, before being finally adopted by the Council (ECOFIN).

The Commission's role in this cycle is exercised collegially. In this respect DG EMPL does not issue recommendations, nor does it publish such in the context of the European Semester.

3. What are the concrete achievements of ESF funding in 2016? How many jobs have been directly and indirectly created and how many jobs for young people?

Commission's answer:

The Commission will publish by the end of 2017 the first Strategic Report of the ESI Funds. This report will provide information on financial implementation and on concrete achievements for the 2014-2016 period.

Preliminary results achieved by the end of 2016, based on annual reports from Managing Authorities, are as follows:

- Taken together, the ESF and the Youth Employment Initiative have **supported 7.8 million people**.
- **787,000 participants** were **in employment** following an ESF or Youth Employment Initiative operation;
- **820,000 participants** have **gained a qualification** upon leaving an ESF of Youth Employment Initiative operation;
- **276,000 participants** were **in education or training** thanks to ESF or Youth Employment Initiative support;
- **458,000 disadvantaged participants** in ESF/YEI- funded operations were engaged in job searching, in education/training, gained a qualification or were in employment.

The number of **people supported** by ESF and the Youth Employment Initiative has almost **tripled in 2016 with respect to the period 2014-2015 (7.8 against 2.7 million people):**

- The majority of the participants- 54%- are unemployed (including long-term unemployed).
- ESF and YEI support 2.1 million inactive participants.
- Other disadvantaged participants are 1.3 million.
- 39% of them are aged below 25 whereas 55% are between 25-64 years old.

4. According to the ex-post evaluation, by the end of 2014, at least 9.4 million European residents found a job with support from the ESF, 8.7 million gained a qualification or certificate and 13.7 million participants reported other positive result. Does the Commission consider that the enumeration of global data constitute meaningful information? What kind of jobs were created and what qualification were acquired? What does the Commission know about the sustainability of the job offers?

Commission's answer:

Aggregation of results into common categories presented by the evaluation provides a useful indication of the importance, magnitude and impact of the ESF on everyday lives of millions of Europeans, especially during the financial crisis. However, results captured into common categories in fact have different characteristics in terms of level of educational attainment evidenced by the qualifications and certificates and the type/quality of employment.

The ESF supported a wide range of activities in terms of objectives, target groups and level of ambition. Some ESF interventions, such as temporary public works schemes, by their very nature of their design catered to the immediate crisis-driven needs and resulted in low-skilled temporary jobs. Others interventions, such as those aimed at PhD level researchers, supported participants over multiple years helping them to attain highest levels of qualifications and subsequent employment. The type of activities supported by the ESF and results measured thus were dependent on the challenges faced by the individual Member States. For more information on the specific achievements regarding the typology of educational attainment resulting in a formal qualification or certificate per each Member State, please refer to the Country Synthesis reports.

In most of the interventions sustainability for individuals was measured as the share of participants in employment after a certain period of time. In practice meanwhile these individuals may have changed job or become unemployed and employed again. Success factors for interventions in Access to Employment field include the use of tailored approaches and combining work based learning and wage incentives with other measures.

The evaluation undertaken by the Commission looked at a sample of 234 interventions across different clusters. For the projects where information on sustainability of job offers was available, the share of participants in ESF interventions still employed after a defined time period varied considerably from below 19% to over 83% depending on the socioeconomic context and characteristics of the groups targeted. The lowest results for the sustainability of results relate to interventions in the Social Inclusion field that target directly individuals. Conversely, results of the projects in the Human Capital field targeting graduates (ISCED 5-6) were the most sustainable in terms of their continued employment. For more detailed information please refer to the evaluations underlying the Staff Working Document.

5. DG EMPL reports increasing employment and decreasing unemployment rates. Should this phenomenon not be attributed to the general economic recovery?

Commission's answer:

Economic and employment growth in the EU continued in 2016 and 2017, along the recovery path which started in mid-2013. Labour market conditions continued to improve and employment rose to 235.4 million in the second quarter of 2017. The employment rate reached the highest level ever recorded (72.2%), while the activity rate followed a steady structural upward trend. In September 2017 the unemployment rate, at 7.5 % of the labour force, was at its lowest since November 2008. A full picture of employment and social trends is presented in the "Employment and Social Developments in Europe – Annual Review 2017" by the European Commission.

Labour market developments are closely linked with general economic developments. Jobs were lost during in 2008-2009 and in 2011-2012 in the wake of the financial and economic crises, and jobs have been created since 2013 in the context of the economic recovery. However, the pace of job creation since 2013 has been faster than what could be expected based on the pace of economic growth and its historical relationship with (un)employment. (For details of this finding, see the report "Labour market and wage developments in Europe 2017", p. 25.) One reason for this development is likely the fact that European economies are reaping the benefits of recent structural reforms. ESI funds, notably through the Youth Employment Initiative, have also contributed to setting the conditions to support job creation and improve labour matching.

The EU and its Member States have made great efforts to fight the recent economic crises and address their structural weaknesses. The EU has also put in place new instruments to better monitor underlying trends and prevent new crises from happening. Besides the setting up of institutions to ensure the stability of the financial systems in the EMU (e.g. European Stability Mechanism, completion of the banking union), the EU has reinforced the coordination of the economic policies of Member States in the framework of the European Semester, notably with the setting-up of the Macro-Economic Imbalances Procedure in 2011.

6. Employers report difficulties in finding candidates with the right skills. What skills do employers looking for? Does the education sector create too many university graduates?

Commission's answer:

It is true that many employers report difficulties in finding candidates with the right skills and we see some labour market data where high unemployment coexists with 40% of employers complaining they don't find people with the right skills. This can be for reasons of skills mismatch, but can also be due to employers offering poorer quality contracts, atypical working hours, uncompetitive wages, or lack of opportunities for training and career prospects. The mismatch between skills demand and supply **is one of the core elements** being addressed by the New Skills Agenda for Europe, for example through the Blueprint for sectoral cooperation on skills needs and through Upskilling Pathways. In times of a fast changing labour market, so-called 21st century skills like transversal skills and key competences are increasingly demanded by employers. According to a study done for the World Economic Forum the top 5 skills sought in 2020 will be complex problem-solving, critical thinking, creativity, people management and coordinating with others.

- As the EU education and training monitor shows, the EU has made progress on the headline target for **tertiary educational attainment**. Having reached 39.1 %, the 2020 target of 40 % tertiary educational attainment among 30-34 year olds is now within reach. Rather than there being a problem of too many university graduates, or over-qualification, mismatch issues may be linked to the quality and relevance of education and training. OECD work has shown that secondary level graduates in some EU countries are better prepared in terms of skills for the labour market than tertiary graduates in other countries.

- Decreasing investment in education and training is particularly dangerous in difficult times; as it neglects the fact that education and training policies have longer term impacts. People with higher skills have better chances of finding a job, significantly lower chances of falling into long-term unemployment, and their jobs have typically been less affected by the crisis.

7. Did the EU manage to create a “fairer” Economic and Monetary Union (page 16f of the AAR)?

Commission's answer:

The Commission has undertaken to make concrete steps towards building a fairer and more sustainable Economic and Monetary Union, including with the launch of the European Pillar of Social Rights on 26 April 2016, signed and proclaimed by the 28 Heads of State and Government, the European Parliament and the European Commission at the Göteborg Summit of 17 November 2017.

- The European Pillar of Social Rights sets out a number of key principles to support fair and well-functioning labour markets and welfare systems. Putting in place the conditions for countries to converge towards similarly resilient economic and social structures is a pre-condition for sustainable socio-economic convergence, especially in the euro area.
- To monitor progress on the ground, the launch of the Pillar was accompanied by a social scoreboard, which is now being integrated in the European Semester. Work on developing benchmarks for relevant areas in the employment and social field was also undertaken in 2016, in line with the Five Presidents Report on EMU deepening.
- The European Semester has started to be used as the main vehicle for the implementation of European Pillar of Social Rights, as witnessed by the focus on the Social Pillar in the proposal for a euro-area Recommendation put forward by the Commission on 22 November 2017 and in the Annual Growth Survey for 2018.
- The euro-area Recommendation for 2018-2019 calls on the euro-area Member States to implement reforms that promote quality job creation, equal opportunities and access to the labour market, fair working conditions, and support social protection and inclusion.
- The establishment of National Productivity Boards (Council Recommendation of 20 September 2016) will be also intended to support sound policy making with a view of socio-economic convergence, growth and jobs in the euro area.
- Finally, the forthcoming EMU package will represent a key milestone in the implementation of the vision for a deepened EMU by 2025, as outlined in the Five Presidents' Report and the Reflection Paper on the deepening of EMU. The package will put forward a possible roadmap for reform in three areas: 1) the Financial Union; 2) the Economic and Fiscal Union; and 3) EMU governance and democratic accountability.
- The new architecture should create stronger incentives for reforms and support for national policies. Future reforms should make sure that the

EMU delivers on its original objectives: growth and jobs, and economic, social and territorial cohesion.

8. How does DG EMPL evaluate the speed of structural reforms in Member States? Which Member States are lagging behind?

Commission's answer:

- The European Commission monitors structural reform efforts by the Member States in the framework the European Semester, the annual cycle of economic policy coordination in the EU. In the course of the European Semester (link), the Commission publishes a Country Report for each Member State and issues Country-Specific Recommendations for structural reforms. The Commission's analysis identifies the economic policy challenges proper to each Member State based on the overall socio-economic situation and policy settings of that specific country.
- Analysis of long-term reform trends conducted using the LABREF database (see: Labour Market and Wage Developments in Europe, Annual Report 2017: http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8040&furtherPubs=yes) shows that reform activity in the employment and social field has substantially increased in the aftermath of the crisis, to remain very intense in the course of the whole decade, especially in countries most affected by adjustment needs, including those under Economic Adjustment Programmes. Even during the recovery period started in 2013, some of these countries have continued to witness a very intense reform activity, while others that had not been heavily hit by the crisis in the short term, and therefore took more time to engage in the needed reforms, also stepped up their reform efforts in the latest period.
- Clearly, analyses of this type, based on a count of reform measures, are very useful, but they cannot replace a thorough assessment of each country's specific reform needs and progress. Policy progress can only be measured against the reform needs of each individual country, which in turn depend on the varying nature and severity of the challenges that Member States face.

9. A study on the first results of the implementation of the Youth Employment Initiative (June 2016) showed the following shortcomings:
   - the financial implementation was slow,
   - Member States tend to focus on the better-educated young people,
   - and also, in some Member States, issues were raised with regard to effectiveness and monitoring (reliability of data)

   What is the Commission's view?

Commission's answer:

In spite of initial delays in some of Member States in 2014-2015, implementation has advanced steadily since then. As of October 2017, at least 1.7 million young people have participated in projects that boost their skills or allow them to have a working experience. The Commission is of the view, however, that more efforts are needed to ensure the Youth Employment Initiative supports young people that are furthest away from education, training and employment. To achieve this, the Commission services have been supporting Member States, providing advice, guidance and mutual learning exchanges so that they can design measures that are tailored to the needs of young people; most recently we organised a 2-day Youth Learning Forum for both policy makers and YEI managing authorities. As regards the quality of reported data, in addition to its detailed guidance note on YEI reporting the Commission regularly discusses with MS and provides further guidance on methodological matters in relation to YEI data reporting in fora such as the ESF Technical Working Group and the ESF evaluation partnership meeting.

It is also worth mentioning the conference *Youth employment: confronting challenges & finding solutions,* organised by the ECA at the European Parliament on 10 May 2017. The aim of the conference was to consider whether EU schemes were actually delivering results in the labour market and whether they were providing appropriate support to young people.

The study on the first results of the implementation of the Youth Employment Initiative provided a fair picture at the time it was published. Since then substantial progress has been made in terms of physical and financial implementation.

According to the latest reporting by Member States of June 2017, by end of 2016, the number of young NEETs that have participated in YEI-supported projects that boost their skills or allow them to have a working experience tripled compared to end of 2015 (1.3 against 0.5 million people).

Among them, 712,000 unemployed and inactive participants not in education or training have completed a YEI-funded intervention. More than half of them, (around 346,000 unemployed and inactive participants not in education or training) achieved a positive outcome since they have moved into education/training, or gained a qualification, or are in employment (including self-employment), upon leaving the intervention.

As regards financial implementation, over 70% of the total financial resources under the Youth Employment Initiative have been allocated to selected projects across the eligible regions.

The target group of the Youth Employment Initiative are young people up to 25 years' old or 29 years' old if the eligible Member States opt for the latter. According to the first evaluations carried out by Member States, the situation in Member States varies concerning the focus of specific actions. For instance, in terms of outreach and impact, Portugal has reported that over half of NEETs targeted by the Youth Employment Initiative did not have a higher education diploma and a majority were supported before becoming long term unemployed.

A robust monitoring system is a key factor to the successful implementation of any programme. Therefore, the Commission provides comprehensive guidance on a constant basis to Member States and discuss with them any issues relating to data reliability in relevant fora like the ESF Technical Working Group and the ESF Evaluation Partnership.

In conclusion, the assessment of many Member States is that the Youth Employment Initiative is having significant impact on the design and delivery of youth employment policy in their country.

10. The European Globalisation Adjustment Fund (EGF) aims to help workers reintegrate into the labour market where they have been displaced by major structural changes in world trade patterns. Eight Member States received aid from the EGF in 2016. The EGF has a maximum annual budget of EUR 150 million. With transfers of EUR 28 million for commitments from the reserve, an amount of EUR 137,6 million remained un-mobilised in 2016. As we move onto the post-2020 MFF, would you endorse reducing the budget of the EGF, taking into account its lower than expected implementation rates?

Commission's answer:

Even though in 2016 commitments of "only" EUR 28 million were transferred from the reserve, in peak times, more than EUR 130 million were needed. There is clear evidence that with a lighter and quicker adoption procedure, with a less narrow legal scope, and more flexibility on the concrete deployment of financial interventions, the demand will be much higher and the current EGF budget will not be sufficient. In light of the post-2020 debate, it should further be highlighted that the Commission is assessing all options with regard to the scope of the instrument and its use and will come up with proposals as necessary to ensure higher impact of the support it provides as well as higher take-up.

11. Could you provide the reintegration rate country by country for workers under EGF programme in 2016? Did the quantitative parameters match the expected ones?

Commission's answer:

In 2016 the Commission received 18 final reports on EGF cases presented by 9 Member States. They showed that 5.228 workers, or 46 % of the 11.273 beneficiaries who participated in the EGF measures, had found new jobs by the end of the EGF implementation period. The integration rates vary by country and by case as follows:

- Belgium 51% (3 cases, the integration rate varies from 81% to 29%),
- Finland 66%,
- France 39% (3 cases, the integration rate varies from 71% to 19%),
- Greece 35%,
- Ireland 76%,
- Italy 52%,
- the Netherlands 88%,

- Poland 87% % (2 cases, the integration rate varies from 91% to 62%) and
- Spain 52% % (5 cases, the integration rate varies from 58% to 39%).

It is also to be noted that these results are collected at the time the EGF support ends. Member States reported that the reintegration rate improves in the months, which follow the end of the EGF support.

REGULATION (EU) No 1309/2013 stipulates that the actions co-funded by the EGF shall aim to ensure that **the largest possible number** of beneficiaries participating in these actions find sustainable employment as soon as possible within the six-month period before the final report referred to in Article 18(1) is due.

12. Could you provide data regarding the use of the 20 % of the total allocation of the ESF devoted to fighting poverty and social exclusion? Do you think that in the forthcoming review of the Common Provisions Regulation for the Structural Funds (Regulation (EU) No 1303/2013), and in particular in the framework of the European Social Fund and the EU Programme for Employment and Social Innovation (EaSI), there will be funding possibilities for helping Member State to establish a minimum income scheme where it does not exist or improve the functioning and effectiveness of existing systems?

Commission's answer:

Investments under the thematic objective for social inclusion are progressing well and saw a strong acceleration of project selection, reaching EUR 13.8 billion (25.8 %).

By end 2016, 1.7 million participants have been supported under this objective by ESF. Between 44% and 94% of these participants came from a disadvantaged background[1].

On the next programming period, we are still exploring policy options for funding. In addition, we are considering how funding could be put at best use for structural reforms and modernisation of policy and delivery systems, linked to the recommendations of the European Semester, which in due cases cover issues related to the minimum income scheme.

One of the general objectives of the EaSI programme is to support the development of social protection systems, facilitate policy reform, by promoting decent work and working conditions, convergence and capacities for social innovation and mutual learning[2]. In line with this objective, there is a scope for the EaSI Programme to support the financing of the analytical activities in the area of a minimum income. In the framework of the European Social Policy Network, EaSI already supports studies in this area, an example being "Minimum income schemes in Europe - A study of national policies, January 2016" available on EUROPA[3].

[1] Participants can cumulate several disadvantages and therefore counted twice.
[2] Based on art. 4 of EaSI Regulation (No 1296/2013, 11 December 2013)
[3] http://ec.europa.eu/social/main.jsp?catId=1135&intPageId=3588

EaSI funding is also provided for the development of EUROMOD, a microsimulation model, covering the tax-benefit systems of all EU Member States and allowing the evaluation of impacts of policy changes on income distribution and poverty, as well as on public finances. It is a key tool to enhance the European Commission's capacity for quantitative policy evaluation, notably in the contexts of Europe 2020, the European Semester and the work of the Social Protection Committee. Finally, EaSI supports the European Pillar of Social Rights, one of its proclamation points being the right to adequate minimum income benefits.

Youth

13. What are the concrete achievements of the Youth Employment Initiative by country?

Commission's answer:

The Commission has provided detailed information on the YEI achievements per country in its report "The Youth Guarantee and the Youth Employment Initiative Three Years On" published in October 2016[4] (see in particular part two of the Staff Working Document accompanying the Communication).

The main achievements so far illustrated with examples from several Member States are:

To date, over 70% of the total financial resources under the Youth Employment Initiative have been allocated to selected projects across the eligible Member States and regions. The assessment of many Member States is that the Youth Employment Initiative is having significant impact on the coverage and design of employment policy in their country.

As regards coverage, Italy and Spain have mobilised a significant number of young people not in education or training (NEETs) through YEI actions despite the still high youth unemployment in the countries. Concerning policy reform, following the first YEI evaluations, Slovakia shifted the focus away from public works schemes for young people towards more effective measures such as increased provision of professional training. In Italy, a counter-factual evaluation showed that new innovative policies largely supported by the YEI increased the occupational chances of young people by 7.8%, despite significant regional differences. In Portugal, YEI co-financed entrepreneurship programmes proved more successful than higher education measures, while Greece has identified the need to review its voucher system for youth employment and training. In terms of outreach and impact, Portugal has reported that over half of NEETs targeted by the YEI did not have a higher education diploma and a majority were supported before becoming long term unemployed. In Poland, 62% of YEI participants received an offer of employment, training, or education, with an overall high level of participants' satisfaction.

[4] COM(2016) 646 final and SWD(2016) 323 final

14. A progress report on implementation of the Youth Guarantee was adopted, highlighting achievements so far (9 million young people have taken up an offer) and underlining areas where further progress is needed notably outreach to the most vulnerable groups. What kind of "offer" are we talking about? Please specify what the 9 million young people "took up". What does the Commission know about the sustainability of the offers?

Commission's answer:

Youth Guarantee "offers" generally fall within the four categories identified in the Recommendation. Typical examples include:

- Employment: open labour market employment (subsidised or not), self-employment supported through start-up and dedicated subsidies;
- Continued Education: education opportunities including job-related training, reinsertion into the regular education system, bridging courses supporting this reinsertion, second chance education;
- Apprenticeships;
- Traineeships: open-market and Active Labour Market Policies traineeships.

According to the provisional results of the last full-year data collection exercise for monitoring of Member States' Youth Guarantee schemes, at EU level in 2016 the distribution of timely offers (i.e. those taken up within 4 months of registration in the Youth Guarantee scheme) is hardly changed from 2015 and 2014. Employment offers continue to dominate, accounting for 67.2% of all timely offers. One in eight (12.1%) timely offers were offers of continued education, one in six a traineeship (13.8%), and just one in fifteen an apprenticeship (6.9%).

Regarding the sustainability of the offers, data on what happened to people after taking up a YG offer in 2016 are available for 20 of the 28 Member States. Based on the available provisional data for 2016, 46.2% of those young people who took up an offer in 2016 were known to be in a positive situation (working, in education, training, following an apprenticeship or a traineeship) 6 months afterwards, 17.7% were in a negative situation (unemployed or inactive) and 36.1% in an unknown situation.

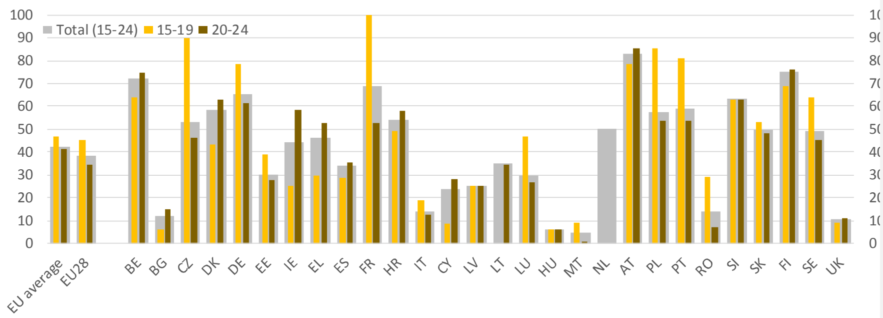
The longer-term follow-up data for those who took up offers in 2014 and 2015 show that the proportions known to be in a positive situation tend to change little through time. Of those that took up an offer in 2015, 42% were known to be in a positive situation 6 months after, 44.5% after 12 months and 43.6% after 18 months. The situation is similar for 2014: 38.9%, 36.8% and 35.1% for 6, 12 and 18 months respectively.

15. Could you provide data, country by country, on youth interested in the Youth guarantee programme (registrations, training, etc)? What had been in average the waiting time of reimbursement (data country by country)? How many permanent posts had been generated (data country by country)?

Commission's answer:

According to the provisional results (not yet published) of the last full-year data collection exercise for monitoring of Member States' Youth Guarantee schemes, on average in the EU during 2016, 2.4 million NEETs were registered in the preparatory phase of a national YG scheme.

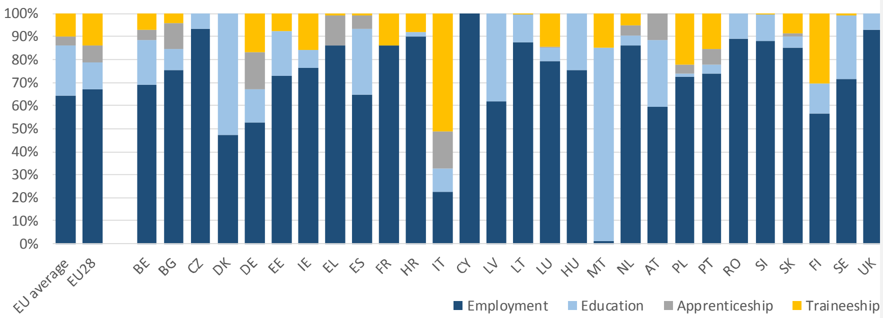
YG coverage: proportion of the NEET population registered in the YG, 2016 (%)



Source: DG EMPL, YG monitoring database (provisional results)

The distribution of timely offers (i.e. those taken up within 4 months of registration in the Youth Guarantee scheme) is hardly changed from 2015 and 2014. Employment offers continue to dominate, accounting for 67.2% of all timely offers. One in eight (12.1%) timely offers were offers of continued education, one in six a traineeship (13.8%), and just one in fifteen an apprenticeship (6.9%).

Distribution of timely and positive exits by type of offer, 2016 (%)



Source: DG EMPL, YG monitoring database (provisional results

Detailed information per Member State on the yearly monitoring of Youth Guarantee schemes can be found on
http://ec.europa.eu/social/main.jsp?catId=1143&langId=en#YGIF

By the end of 2016, under the Youth Employment Initiative, 712,000 unemployed and inactive participants not in education or training completed a YEI-funded intervention. Of these, 346,000 unemployed and inactive participants not in education or training moved into education/training, or gained a qualification, or are in employment (including self-employment), upon leaving the intervention.

Member States are required to report on YEI common output and result indicators in their Annual Implementation Reports as set out in Annexes I and II of the ESF Regulation (EU) No 1304/2013. In addition, in accordance with Art. 19 of the same regulation YEI structured data has to be submitted by the Member States each year starting in 2015. Similar to results under ESF operations, YEI results often materialise only at a later stage. Long-term result indicators are used to capture them as set out in Annex II of the ESF Regulation – these long-term indicators are reported on a sample basis and cover the period until 6 months after the YEI support has ended.

16. Could the Commission provide a table of ESF-absorption-rate by country in 2016? How actions are undertaken by the Commission in order to tackle the problem of low absorption in certain Member States?

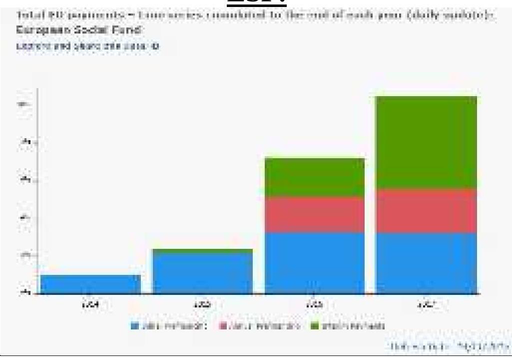
Commission's answer:

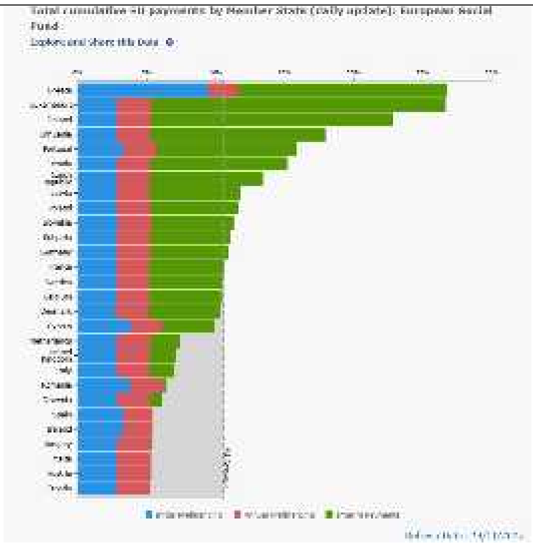
Since March 2017, detailed information on the EU budget payments made for each programme is available of the ESI Funds Open Data platform for all ESI Funds and is updated on a daily basis (https://cohesiondata.ec.europa.eu/).

In July 2017, the Commission introduced adapted visualisations of the payments (including time series) showing the composition of the payments. The graphs are displayed by Fund, Member State and Programme.

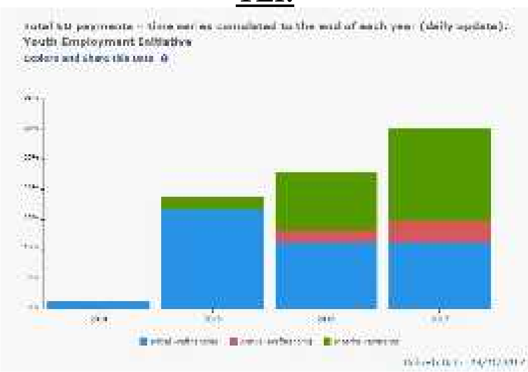
Examples of the graphs presented are provided below from 14/11/2017.

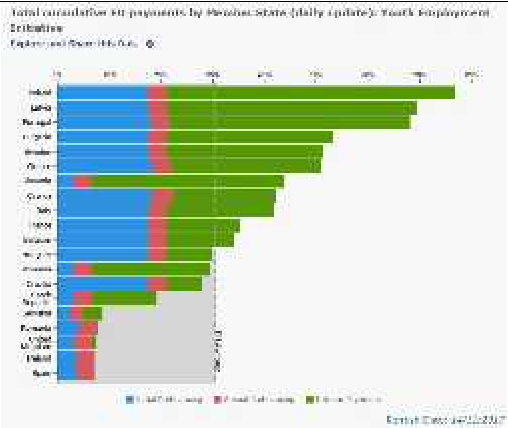
ESF:





YEI:





The Commission has taken several steps at multiple levels to address the issue of delays in implementation of the 2014-2020 programming period.

First, at a very high political level, the Commission has recurrently highlighted this issue with the Member States' responsible authorities. It has likewise continuously expressed its readiness to provide assistance to Member States to ensure that implementation accelerates. For instance, in July 2017, a letter co-signed by the four Structural Fund Commissioners were sent to Member States, alerting them to the worryingly low level of implementation and urging them to remove the bottlenecks without further delay. Member States were invited to provide a short report to DG BUDG analysing the main reasons for the observed implementation delays before the third Inter-Institutional Meeting on payments, which took place on 18 October. The replies reconfirmed Member States' concerns *inter alia* with the lengthy regulatory designation process of responsible national authorities and the rather complex delivery system and set of rules. This shows the need for even further simplification, albeit most favourably within a stable general framework.

Secondly, at a more operational level, the following main actions were taken:

- special monitoring of slow performing programmes has been a priority for the structural funds DGs. The monitoring list of under-performing programmes is dynamic and is reviewed throughout the year.
- programme implementation has been uploaded to the Open Data Platform and used in meetings of Monitoring Committees. It has allowed for policy learning and benchmarking and draws the attention of partners to Member States' progress in implementation;
- a list of main issues to be discussed with all Member States was drawn up in 2017. This includes quality of Member States' payment forecasts, communication, designation and slow implementation;
- the Commission has scrupulously monitored the progress in designations and ex ante conditionalities fulfilment;
- Member States have been assisted in the field of administrative capacity

building, with initiative such as the Peer2Peer exchange of good practices.

Finally, the lessons learnt are being taken into account in the Commission's reflection and planning of the legislation for the post-2020 programming period.

17. The absorption rate at the end of 2016 is 3,3 % for ESF/YEI projects. Could the Commission provide an exhaustive explanation of the low tax of absorption? Is it linked to technical problems at Member States level? In case, what are the support actions that Commission has taken to solve the problem?

Commission's answer:

Global absorption rate for the ESF at the end of October 2017 was **5.11%** (= interim payments/global allocation).

Slow absorption in the first years is a reflection of the policy cycle and can be seen also for previous programming periods. For the 2007-2013, almost half of the expenditure was only declared in the last three years of the implementation but finally an almost full absorption was reached.

The Commission recognises that budgetary execution is lower than expected. But this does not fully reflect reality on the ground. Implementation is effectively progressing well in the Member States.

The Commission notes the project selection rate for ERDF/ESF/YEI/CF Funds significantly increased compared to 2016. For ERDF/ESF/YEI/CF, the project selection rate was 44% and 44.8**%** for ESF/YEI at the end of October 2017. This corresponds to almost EUR 110 billion of funding from ERDF/CF programmes allocated to almost 140.000 projects and 40 billion of funding from ESF/YEI allocated to almost 415.000 projects. Some countries have doubled or tripled their rate of selection compared to the beginning of this year, which indicates that implementation of the programmes has speeded up considerably.

Possible reasons for delays can be explained by less pressure on Member States due to the N+3 automatic de-commitment rule, instead of N+2 in the previous period. Member States thus have more time to submit expenditure to the Commission. Secondly, Member States are very cautious due to the introduction of annual accounts and the risk of net financial corrections. They seek to carry out all required verifications before they certify expenditure in the accounts. Thirdly, additional time was required at the start of the programming period to put in place new measures that increase the quality and compliance of programmes and projects, such as ex ante conditionalities.

The Commission underlines that progress on implementation and absorption varies a lot across Member States and sectors. This proves that Member State-specific factors, including the capacity of the administration to set up an effective programme delivery mechanism, are playing an important role.

Concerning the support actions taken by the Commission to address the delays in implementation, please see reply to question 16.

18. (ECA special report 5/20179 The establishment of the Youth Guarantee created expectations that all young people under 25 receive a good quality offer of employment, education, apprenticeship or traineeship within four months of leaving school or becoming unemployed. We are very far from there. How does the Commission manage the expectations? Are there any initiatives to mitigate unfounded hopes by setting realistic and achievable objectives and targets?

Commission's answer:

The situation of young people in the labour market has significantly improved. Approximately 3.7 million young people (under 25) in the EU were unemployed in September 2017. This represents almost 2 million less young unemployed compared to April 2013 (adoption of Youth Guarantee Council recommendation). The youth unemployment rate has decreased from a peak of 24 % in early 2013 to 16.6 % in September 2017.

The Commission recognises the importance of managing expectations and setting realistic targets. The Commission has repeatedly stressed that tackling youth unemployment in Europe is mainly a task for the Member States, which are the ones that have the necessary structures and the required funding. The Youth Employment Initiative was not intended to be the only source of funding for the implementation of the Youth Guarantee, but to serve as additional support for Member States. The Commission's role is to support them in their efforts and in delivering on the Youth Guarantee. The Commission considers however that setting an ambitious policy goal at EU level on youth employment was –and still is– crucial in creating strong political momentum in Member States and mobilising stakeholders in support of Europe's youth.

The Commission considers also that current results in Youth Guarantee implementation do not fall short of initial expectations. As a comprehensive structural reform, the Youth Guarantee takes time to bear fruit but first results are encouraging. Youth unemployment rates and NEET rates have been steadily decreasing in the EU and the decrease has been faster than what could be expected given the macroeconomic context. Whilst it is true –as recognised by the Commission's October 2016 Communication– that additional efforts are still needed to reach out to all young people and to deliver quality and timely offers, the Youth Guarantee has already provided a strong impetus on structural reforms and policy innovation, areas which are out of the report's scope. Besides, although additional efforts are still needed to reach out to all young people, in particular those young people who are most detached from the labour market and may face multiple barriers to enter it, we see already encouraging results[5].

In order to provide a realistic picture of the state of play in Member States, the Commission has encouraged interpreting data on the provision of Youth Guarantee offers in their broader context (e.g. the various data available under the Indicator

[5] According to the latest full-year data available, in many Member States (Belgium, Czech Republic, Denmark, Germany, France, Croatia, The Netherlands, Austria, Poland, Portugal, Slovenia, Slovakia, Finland) it is estimated that in 2016 more than 50% of the NEET population (15-24) was registered in a Youth Guarantee Scheme (and in Belgium, Austria and Finland was 70% or higher). In some Member States (Malta, Hungary, Italy and Denmark) already more than 60% of those young people who took up an offer of employment, education, apprenticeship or traineeship in 2016 did so within 4 months of registration in the Youth Guarantee scheme.

Framework for Monitoring the Youth Guarantee should be read jointly as well as be seen in the context of macro-economic indicators and structural reforms). Many of the conclusions and recommendations in the Court's report build on data provided by Member States under the EMCO Indicator Framework, covering only the first two years of YG implementation (2014 and 2015). The Framework is an important tool for monitoring the implementation of the Youth Guarantee. However, assessing progress in implementing the YG cannot be restricted to the results of one particular set of indicators or to one monitoring tool. For many Member States, delivering on the commitment to provide good quality offers to all young people also requires structural reforms of training, job-search and education systems to drastically improve school-to-work transitions and the employability of young people.

19. Is the Commission going to make an evaluation in order to conclude on whether the results for a YEI participant are directly attributable to the YEI (or ESF) intervention?

Commission's answer:

The first evaluations were carried out by Member States in 2015. Their synthesis was summarised in the SWD accompanying the 2016 Summary Report[6]. According to the ESF Regulation, the following compulsory YEI evaluation to be carried out by the eligible Member States is foreseen by the end of 2018. It is expected that it will include the assessment of net impact of YEI interventions in addition to the other aspects evaluated in the first round of YEI evaluations. In order to enhance the take up of counterfactual impact evaluations, the method suitable to quantify the net impact, DG EMPL and JRC CRIE (Centre for Research on Impact Evaluation) provide methodological support to the Managing Authorities.

20. The Commission did not accept the Court's recommendation that the Commission should revise its guidance on data collection to minimise the risk of overstatement of results.

Commission's answer:

THIS POINT IS THE INTRODUCTION TO QUESTION 21 – PLEASE SEE REPLY TO Q21 BELOW.

21. Why is it important to include in the YEI result indicator the situation of those who have not completed the measure?

Commission's answer:

YEI result indicators, similarly to the ESF result indicators, do not and cannot

[6] 2016 Synthesis of Evaluation Results and Plans under the ESIF Programmes 2014-2020 (SWD(2016) 447 final)

measure the impact of the supported operations. Whether the change in the participant's situation, expressed by a result indicator, is or is not due to the supported operation can only be determined by an evaluation, not through the monitoring. For example, even if the participant completes an operation, the change as expressed by the result indicator might not be due to the operation; and on the contrary, even if the participant leaves early, the change might be due to the operation. Impacts can only be assessed by evaluations.

The convention of collecting data on results upon the participant's leaving the operation is simpler than collection upon completion and implies far less administrative burden for Member States.

22. The Commission did not accept the following recommendation either: "The Commission should ensure through its approval process for OP amendments, in particular in view of the impending significant increase in YEI funding, that Member States perform a global assessment of the characteristics of the NEET population in order to ensure that the YEI measures included in the OPs will adequately address the needs of the young persons."

    Do you plan to put forward an amendment to the regulation requiring a detailed assessment of the characteristics of the different subgroups of young people supported by the YEI in the Operational Programme?

Commission's answer:

The detailed assessment of the characteristics of the NEET target group has been explained and encouraged for Member States drafting their operational programmes, in the Commission's guidance note[7] on the Implementation of the YEI. The Commission has requested details as regards the target group in the programmes at the adoption stage.

A legal requirement on the above has not been proposed and is not necessary in the Commission's view. Amendments to the legislation applicable to YEI have only been made in the context of the YEI increased pre-financing and more recently the YEI increase. The purpose of these proposals has been to ensure smooth implementation of the YEI without disrupting the implementation arrangements. Policy-wise, extensive guidance and good practice dissemination is being provided also in the context of Youth Guarantee schemes implementation. The latter represents the strategic policy framework in which YEI actions are designed and implemented by the Member States.

23. According to the Commission, is it properly ensured that Member States justify how their EU-funded youth employment measures will adequately address their needs?

Commission's answer:

[7] http://ec.europa.eu/esf/BlobServlet?docId=457&langId=en

Field Code Changed

The ESF regulation sets out requirements as regards the target group for the YEI. As regards the ESF the relevant investment priority on youth employment provides flexibility to the Member States to address the allocated funding towards the groups that require such support. In the operational programmes Member States are legally required to indicate examples of actions that they intend to finance with ESF and YEI support. In addition, the Commission has provided detailed guidance on the programming and implementation of the YEI whereby in the context of shared management of the ESF and YEI resources it strongly encourages Member States to perform a detailed analysis of the NEETs group in order to ensure that support is targeted towards the neediest groups.

Based on lessons learned from the initial phases of YEI implementation as well as from implementation of the Youth Guarantee policy schemes, the Commission works further with the Member States in order to collect and disseminate good practice that could help improve the effectiveness of YG schemes and YEI/ESF-supported actions. A Peer review on the Youth Guarantee among Member States will also be held by the Employment Committee in December 2017.

24. How could the Commission provide support to the Member States that they draft a better overview of the estimated cost of all planned measures to implement the Youth Guarantee?

Commission's answer:

The resources needed to implement a Youth Guarantee may vary greatly from one Member State to another depending on the labour market situation and national context. Also, not all measures that the YG recommendation calls for require substantial financial support (e.g. strengthening cooperation between the education system and PES). But, indeed, as indicated in the Commission reply to the latest European Court of Auditors' report, the Commission would welcome a better overview of the estimated cost of all planned measures to implement the Youth Guarantee from Member States and will, wherever possible and upon request of the Member States, support them in this process.

Although any such estimates are subject to a number of caveats, the Commission stands ready to support Member States in developing a methodological approach. The Commission has also addressed the issue in the context of the EC-ILO action on youth employment policies.

25. The Court concluded in its report that there are a number of shortcomings that negatively impact the implementation such as:

- Lack of strategies with clear milestones and objectives to reach all NEETs;
- No assessment of cost and available funding by Member States;
- Difficulties with the sustainable integration of NEETs;
- The weak quality of data.

What has been done since the publication of the report in April in order to improve the situation?

Commission's answer:

The Court recommends that Member States should establish appropriate outreach strategies to identify entire NEET population with the objective of registering them and that the Commission should support Member States. The Commission is already supporting Member States to establish their outreach strategies by offering financial support and policy advice in the form of technical assistance, capacity building and mutual learning under the EaSI programme. More specifically, the Commission is currently supporting outreach and awareness raising projects in 4 Member States. In October 2017, it launched a database of good practices and organised a mutual learning event which had a strong focus on outreach and sustainable integration of NEETs. The Commission is also organising peer support to Cyprus and Spain in improving their outreach efforts.

The Court recommends that Member States should establish a complete overview of the cost of implementing the Youth Guarantee for the entire NEET population. Where requested by Member States, the Commission should support them in this process. As indicated in the Commission reply to the European Court of Auditors' report, the Commission would welcome a better overview of the estimated cost of all planned measures to implement the Youth Guarantee from Member States. Although any such estimates are subject to a number of caveats, the Commission stands ready to support Member States in developing a methodological approach for the estimates. The Commission has also addressed the issue in the context of the EC-ILO action on youth employment policies.

Regarding the quality of data, the existing Indicator Framework for monitoring the Youth Guarantee is an important tool for monitoring the implementation of the Youth Guarantee. The results of the third data collection exercise (covering the year 2016) will be published soon and each new exercise since 2014 has seen important improvements. But the Commission agrees that further efforts are needed[8]. The Commission is cooperating on a continuous basis with Member States in this field, in particular through the work in the EMCO Indicators Group and the support offered to Member States reporting data under the Indicator Framework.

Moreover, a number of recent actions taken will contribute to improving the rolling out of Youth Guarantee schemes. The Commission proposed to increase the Youth Employment Initiative by additional EUR 2 billion for 2017-2020. The Council and the European Parliament agreed to modify this proposal to EUR 2.4 billion. Lastly, principle 4 of the proposed European Pillar of Social Rights strengthens the political commitment to the Youth Guarantee by setting out the right of young people to continued education, apprenticeship, traineeship or a job offer of good standing within 4 months of becoming unemployed or leaving education.

[8] The EPSCO Council has also in this respect called on Member States to pursue efforts to achieve better alignment of national data with the common Indicator Framework for Monitoring the Youth Guarantee, taking into account the current possibilities and limitations of national data.

Management and Control

26. By the end of 2016, 23 programmes from the 2007-2013 financing periods were under reservation. How many programmes were under reservations for more than 2 years? Why are issues not resolved more quickly?

Commission's answer:

Among the 23 programmes from the 2007-2013 programming period under reservation, 5 programmes were in reservation for more than 2 years (DE – Bremen; ES – Baleares and IT – Calabria, Lombardia and Bolzano) and suspension decisions had been adopted.
For these programmes, the correction of the serious deficiencies detected in the management and control systems and the amount of the financial corrections were not yet validated by the Commission before the closure deadline.
The lifting of the suspension decisions will be formalised at the end of the closure process when the adequate level of financial corrections is agreed.

27. The financial corrections implemented in 2016 amounted to EUR 385.7 million of which EUR 255.8 million for 2007-2013 and EUR 129.9 million for 2000-2006 and previous programming period. Could the Commission provide data State by State (and by Regions) of the financial corrections required in 2016?

Commission's answer:

The data by Member State are provided in the annexes of the 2016 Annual Activity Report of DG EMPL (page 59).
For the 2000-2006 and previous programming periods, the financial corrections implemented in 2016 concerned Italy (EUR 116 million; Calabria, Abruzzo and 94-99 objective 3) and Spain (EUR 14 million; Lucha contra la Discriminación objectives 1 and 3).
For the 2007-2013 programming period, the financial corrections implemented in 2016 concerned mainly Spain (EUR 188 million; Adaptabilidad y Empleo), the UK (EUR 17 million; Scotland), Romania (EUR 16 million) and Hungary (EUR 10 million).

28. One ESF operational programme in Italy, from the 2000-2006 financing period, is still under reservation, due to on-going discussions with the national/regional authorities on the financial corrections proposed by the Commission. How can a discussion take more than 10 years? Could the Commission explain this case in detail?

Commission's answer:

The closure process for the Sicily OP 1999IT161PO011 is currently in litigation in front of the European Court of Justice (since January 2016) following the adoption of a Financial correction decision by the EC on 17/12/2015. A public hearing took place on 8/06/2017 in front of the ECJ and a decision is expected in the next months from the ECJ General Court.

As the financial correction decisions adopted by the EC need to be adopted on the basis of all the elements available to the EC and is the result of a process which primarily aims at reaching an agreement with the Member State, in compliance with the principle of proportionality and partnership, the financial correction decision was taken at the end of a procedure which involved extensive exchanges with the regional authorities during several years, including a hearing on 29/09/2015.

29. In 2016, EUR 161.6 million are at risk. 93% of the amount at risk can be attributed to the situation in four Member states: Romania, Hungary, Italy and Spain. Which measures has the Commission taken?

Commission's answer:

Due to time constraints before signature of the Annual Activity Report, only a preliminary assessment of the information provided by the Audit authorities in their Final Control Reports had been performed and on a precautionary basis, operational programmes with an error rate for 2015-2016 above 5% or with a scope limitation (expenditure declared late and not yet audited) were included in the 2016 AAR as part of the 2007-2013 reservation list.

Following the detailed review of the Final Control Reports, the reservation could be lifted for the Spanish programmes concerned. For the other 3 Member States, the Commission has requested the Audit Authorities to perform additional audit work in order to have a final opinion regarding the legality and regularity of the amounts declared to the Commission and to determine, if necessary, the additional financial corrections needed to ensure a residual error rate below the materiality threshold of 2%.

The Commission has taken action to encourage these Member States to implement the 2014-2020 programmes using Simplified Cost Options, for which the Court of Auditors has not identified any quantified error for 5 years.

30. In order to improve reporting on the management aspects related to shared management, DG EMPL identified 6 operational priorities and 42 associated indicators for the ESF 2014-2020. What are the priorities?

Commission's answer:

The six operational priorities are:

1. Steering a MS programming based on performance and results to deliver on EU policy objectives
2. Providing effective support to MS in their implementation of the funds and better communication of results
3. Providing evidence base and legislative framework for post 2020

programming period

4. Designing and implementing effective and reliable internal control system in line with sound financial management
5. Designing and implementing effective and reliable internal control system giving the necessary guarantees concerning the legality and the regularity of the underlying transactions
6. Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud

31. The Annual Report of the ECA describes a case in example 11 when unsuitable economic operators were invited to a tender. The effect of inviting unsuitable candidates to participate was that the contract was awarded directly to the only company, which had a suitable profile to deliver the training. How widespread is this practice? Do you come across often the same practice?

Commission's answer:

The case referred corresponds to a public contract not falling under the scope of the public procurement directive 2014/24/EU (34,000 EUR training course) that should have complied with the national rules that required at least three offers from suitable economic operators. Errors in public procurement are not very frequent among ESF projects. The error has been found by the ECA during the on-the-spot audit of a project.

The Commission continuously takes actions to address the root causes and the impact of these errors. As preventive actions, many initiatives have been launched in order to raise awareness and avoid these errors:

- A robust management and control system in terms of control and protection of the EU budget has been put in place in the CPR.

- Simplification measures have been adopted in order to reduce errors and focus on results (simplified cost options, new public procurement directives among other measures).

- Administrative capacity of the main actors of the cohesion policy has been strengthened through the organisation of seminars and training on procurement rules and anti-fraud measures, dissemination and promotion of guidance and good practices, among other actions.

Furthermore, the EC undertakes more drastic preventive and corrective actions to protect the EU budget once the breach has already occurred, such as interruptions and suspensions of payments, and corrections and recoveries. The Commission is currently negotiating with the MS audit authorities the updated guidelines for determining financial corrections for non-compliance with the rules on public procurement, in order to ensure equal treatment on the corrections to be proposed and applied by Member States and Commission.

32. Did the introduction of ex-ante conditionalities prolong the programme designation process?

Commission's answer:

No, ex-ante conditionalities and designation of programme authorities are two different processes, which run independently.
Member States must designate the managing and certifying authorities responsible for implementing ERDF/Cohesion Fund/ESF/YEI programmes before any payment claim can be sent to the Commission. Designation is validated by an independent audit body (usually the programme audit authority) against designation criteria defined in the regulation (Annex XIII of Regulation (EU) 1303/2013). Ex-ante conditionalities, if not fulfilled at programme adoption can trigger action plans and eventually suspension procedures if not implemented by the regulatory deadline of December 2016, but this did not impact on designation.

33. How is it possible that, by the end of 2016, i. e. two years after the beginning of the financing period, only 81% of the management authorities were designated? Why did Germany only designate 35% of its management authorities?

Commission's answer:

On 20 November 2017, 97% of ESF/YEI Managing authorities were designated.

The delays in the designation are due to different factors:

In some Member States the delays are linked to their **complex administrative structure**. This makes the designation process much more complex and cumbersome for the Member State as these bodies have to be checked by the national independent audit body.

This was an additional and often substantial work that had to be carried out in parallel with other running priorities (completion of 2007-2013 audit work in view of closure). Therefore some administrative capacity bottlenecks were witnessed, in particular when the initial planning set by the IABs was not followed by the managing or certifying authorities that had first to provide IABs with complete system descriptions.

Finally, the new **regulatory framework introduced changes to the delivery system of the funds**, including new requirements which had to be met by designated national authorities. Some Member States required more time to adapt to the new requirements. This is the case of the IT system used by the managing authority to record and store data on operations which had to be adjusted to the new requirements set out by the Regulations.

The German authorities have stressed that the complexity of the designation process (factual and regulatory complexity) and the high level of technical and legal requirements (esp. in the field of IT-systems) have resulted in delays of the designation process. In addition designation for the 2014-2020 period overlapped with the preparation of the closure documents of the 2007-2013 period. Another reason is the heavy-handed national procedures in dealing with the complex designation exercise. The Commission has on many occasions alerted the German authorities on the need to ensure designation before the end of 2017. Currently 82% of the German managing authorities (MA) are designated. According to indications received by the remaining MAs all should be designated before the year end.

34. How many programmes (numbers and %) were approved by the end of 2016?

Commission's answer:

All ESF programmes were approved by the end of 2016.

35. DG EMPL has adopted the 'EMPL strategy for a performance-based culture for the ESF 2016-2023'; furthermore, DG EMPL has developed a methodology to yearly assess the performance of programmes. This methodology is based on section II of the quality assessment checklist for the annual implementation reports (AIRs) analysis, which is common to ESF and ERDF/CF programmes. How does such a checklist look like?

Commission's answer:

The checklist focuses on five main criteria in relation to ESF programmes:

1. financial implementation,
2. project selection criteria,
3. ex ante conditionalities,
4. outcome of evaluation activities and
5. administrative and corrective capacity.

There is also an overall assessment of the programme performance. The desk officers' assessment is categorised according to four categories: Good, Acceptable, Poor or Critical.

36. Does the Commission consider a distinction between good, acceptable and poor programme performance to be meaningful? What does "acceptable" mean?

Commission's answer:

For each criteria, a definition of what is meant by 'good', 'acceptable', 'poor' and 'critical' is included in the Commission's internal guidance for geographical units to ensure equal treatment of Member States.

For example for the criteria on financial implementation 'acceptable' is defined as follows: 'the selection rate is somewhat below average or there are risks which are identified and mitigated. For most priorities the eligible cost of selected projects represents more than 50% of their milestones for the financial indicator in the performance framework (but are below 100%)'.

37. The IAS identified very important weaknesses regarding certain elements of their overall control strategy and formulated three very important recommendations (relevant for EMPL) concerning the design of the ESIF control strategy 2014-2020, related to: (i) the DGs assurance aspects; (ii) the audit plans and (iii) control related simplification measures. Six further very important recommendations concern the implementation of the ESIF control strategy in the early stages. They relate to: (iv) designation process and review; (v) reimbursement of additional pre-financing for YEI; (vi) early preventive system audits; (vii) review of national audit strategies; (viii) audits on performance data reliability and (ix) audits on 'Financial Instruments'. The IAS issued one further important recommendation on (x) coordination arrangements between the three DGs and with Member States. Please report in detail on progress made since January 2017.

Commission's answer:

Concerning the IAS Audit on the ESIF Control Strategy 4 recommendations have been already implemented by EMPL/REGIO:

Rec. 1 on Assurance Aspects
Rec. 2 on DGs Audit Plans
Rec. 6 on YEI – amendment of OPs
Rec. 8 on the review of national audit strategies

For 3 recommendations the implementation is ongoing, and as agreed with the IAS, they will be implemented before the end of 2017 in accordance with the action plan:

- Rec. 4 on control-related simplification matters; during the Homologues meeting with the Audit Authorities, 25-26 September, issues of simplification as recommended by the HLG were discussed. The discussions are continuing with specific working groups, for input into the next Technical Meeting between the Commission Services and the Audit Authorities on 30 Nov-1 Dec. On the sampling related implications, the modifications have been taken into account in the sampling guidance paper which will be published.
- Rec. 7 on early preventive system audits – the audit plan of the audit directorate is being carried out as planned, including the EPSA (Early Preventive System Audit). A mid-year review, and at the latest by May-June 2018, will be necessary to update the audit plan. Very few such audits are foreseen for 2018, as compliance audits will take precedence.
- Rec. 9 on audits on performance data reliability – Audits are ongoing, according to the audit plan and will continue in 2018.

For 3 other recommendations the implementation is also ongoing, and as agreed with the IAS they will be implemented by Mid 2018 in accordance with the action plan:

- Rec. 5 on the designation process and review - almost complete. As of today only 3 OPs in DE, one in IE and 2 OPs in IT are still to be designated. For consideration for the next legislative proposal, the Commission will assess the results of the designation process and evaluate the problems encountered.

- Rec. 10 on the audit of financial instruments – a methodology is being developed and shared with the audit authorities in order to ensure coherence. Secondly, once sufficient data on implementation of financial instruments is communicated to the European Commission, audit work will be planned and carried out.
- Rec. 11 on coordination agreements- an interservice agreement on sharing audit resources and results has been updated. Furthermore, the coordination now also foresees common procedures and templates within the DGs concerned. As a result, an increased coherence in audit work and interpretation of audit findings is now ensured.

38. DG EMPL was also asked to follow -up the following recommendations in 2016: (i) uptake and impact of simplification measures and the DGs processes to promote and monitor these measures; and (ii) mitigating risks associated with 'Simplified Cost Options'. Where do we stand today?

Commission's answer:

(i) The uptake of simplification measures was subject to a second survey for which the results were presented to the Commission at the end of October 2017. Monitoring the uptake of SCOs is done via a specific study (see Q39 and 40 for details). The Commission continues to support Member States with the implementation of SCOs via seminars, by answering to written questions as well as by providing tailor-made advice when defining unit costs or lump sums under Article 14.1. ESF. Additionally, where the Commission and national auditors, during their work, come across "processes and procedures which constitute excess administrative burden and cost, or can be simplified without undermining the overall assurance and effectiveness of the management and control system", they should disclose these processes and procedures and the proposed simplification in the audit report.

(ii) The audits to be carried out under the EPM "Compliance audits" will cover the review of the AA's methodologies for system audits and audits of operations. Where the risks related to using SCOs are considered relevant, they would be included in the scope of audits performed under this enquiry. This will be decided on an ad-hoc basis by the audit units concerned in light of any residual risks noted in the audit work. A thematic audit on SCOs is not considered a priority in the Single Audit Strategy agreed between DG REGIO, DG EMPL and DG MARE.
Further, the guidance and training sessions provided to Member States' audit authorities include points of attention to the risk areas brought about by SCOs.

39. The Commission provided guidance and support to Member States on the implementation of simplified cost options (SCOs). Which Member States have not yet

made sufficient use of SCOs? What are the changes in the error rate as a result of SCOs?

Commission's answer:

SCOs play a fundamental role in reducing the error rate. The Court of Auditors has consistently reported in recent years that SCOs have not been subject to any quantifiable error.

Furthermore, SCOs considerably alleviate the administrative burden on beneficiaries, as they reduce the amount and complexity of supporting documents that must be stored after project implementation or submitted with payment claims. DGs REGIO and EMPL are currently surveying all authorities for the ERDF, the CF and ESF on the use of SCOs in the current period. While a full report covering all the funds will not be available until early 2018, for the ESF we already have preliminary results which show that all 27 Member States which replied to the survey will use SCOs in the 2014-2020 period. The draft results show a large range between member states in the amount of expenditure that will be reimbursed, from a low of 3.5% in Hungary to a high of 85% in Sweden. On average we estimate that just under 35% of total ESF expenditure across the EU will be reimbursed with SCOs over the entire period. This represents a significant improvement on the estimated 7% of expenditure that was reimbursed with simplified costs in the 2007-2013 period.

40. How successful was the Commission in promoting the effective use of SCOs by MS in the 2014-20 programming period in 2016? Based on the last year's Commissions' answers, DG EMPL has committed to greatly increase the use of simplified cost options within the ESF to reach a level of 50% covered by SCOs during the ongoing programming period. Will this commitment be fulfilled?

Commission's answer:

Preliminary results from the study referred to above show that Managing Authorities estimate an overall uptake of just under 35% SCOs for 2014-2020. The survey also shows that a large majority of ESF projects (on average 65%) are fully or partially implemented through an SCO, and that more developed regions are expected to declare costs under SCO over the 50% target. Moreover, and at this stage, it appears that eight Member States will reach the target. Based on these results, the Commission will continue and intensify its efforts with the member states to increase even further the use of simplified costs towards the target of 50% of expenditure.

In 2016 and 2017, DG EMPL has continued to support Member States develop simplified costs under a Delegated Act (Article 14.1 ESF). Taking into account the 4th amendment adopted by the Commission and due to come into force by the end of this year, there are now fourteen member states (Sweden, France, Belgium, the Czech Republic, Malta, Italy, Slovakia, the Netherlands, Germany, Lithuania, Austria, Poland, Romania, Cyprus) with Simplified Cost Options set out in the delegated act, covering an estimated €7bn of expenditure.

Given that we had the first Simplified Cost Options adopted under the act only 2 years ago, this shows great progress and the popularity of the instrument, due to the legal certainty it gives member states in implementing the defined unit costs or lump sums.

41. What are the difficulties of technical assistance of Member States and what could be solutions for those problems identified? What are the future measures for fair financing?

Commission's answer:

The lack of flexibility to use technical assistance to finance activities related to all ESI Funds has been a barrier in development of common IT systems, but it has been addressed in the "omnibus" proposal. The difficulties come also from the relatively large amount of supporting documents which are needed to justify technical assistance (TA) expenditure, but this could be simplified with the use of simplified costs. This is already being done in the current programming period and use of simplified cost options should also provide possibilities for simplification in the next programming period.

The current Regulation allows already further flexibility of the use of TA (Art 119 of the Common Provisions Regulation (CPR)), e.g. each Fund may support TA operation eligible under any of the other Funds and may, by way of derogation, be implemented outside the programme area but within the EU if it is clearly for the benefit of the programme.

Technical assistance has been too often regarded in the past as a lump sum at the disposal for the Member States for the implementation, of the programmes. The use of TA was therefore often not sufficiently targeted and in part inefficient. For the current programming period the Commission asked Member States for a more focussed and tailor made use of their TA in their programmes on the basis of the lessons learnt and the most important bottlenecks identified in the previous periods. For example: Member States were encouraged to use TA e.g. for action plans as a result of non-fulfilled ex-ante conditionalities, support proportionate anti-fraud and corruption measures (as a new requirement under Art 125.4 (c) of the CPR) and support beneficiaries in preparing mature project applications. A major part of TA is still used for human resources support (salaries, training etc.): here the Commission asked Member States to develop clear human resources action plans so that TA would be used in a targeted way for those organisations most in need of additional support.

42. How was the Commission applying the balanced approach when addressing (unwanted) gold plating in 2016?

Commission's answer:

The Commission has taken the following actions to address "gold-plating" issues:

- Use of Simplified Cost Options (SCOs): DG EMPL continues to organise simplification seminars, where continuous reference is made to gold plating

- Review and propose changes of the national eligibility rules in place in cooperation with the Member States.

The proposed amendments to the CPR and the ESF Regulation are expected to significantly simplify the life for beneficiaries and public authorities and help **tackle situations of gold plating** by Member States.

Financial instruments

43. The Court noted: "The increasing use of other financial mechanisms to deliver EU policies alongside the EU budget risks undermining this level of accountability and transparency, as reporting, audit and public scrutiny arrangements are not aligned." What is DG EMPL's view?

Commission's answer:

The current EU financial architecture has made it possible to mobilise funds for new priorities and to do more with less. The EU budget is not the only tool to finance the EU policies.

However, the EU accounts include all instruments and consolidate all agencies with an impact on the EU budget. The EU accounts are audited by the ECA.

Some mechanisms were created to respond to the Euro area crisis and are of an inter-governmental nature. For this reason, they are outside the framework of the EU budget.

Other instruments such as EFSI and the European Investment Fund complement the more traditional delivery mechanisms of the EU budget, enhancing its outreach and leverage effect.

Concerning the new financial mechanisms, all bodies managing them provide yearly accountability reports and an opinion by an external auditor. Moreover, for reasons of accountability and transparency, specific reports such as on financial instruments, trust funds and the Facility for Refugees in Turkey are also provided.

The Commission adopted a reflection paper on the future of the EU finances, in which the current EU financial architecture is explained. This subject will be a key element of the next MFF.

44. What synergies did the the programme for Employment and Social Innovation (EaSI) create with the ESF?

Commission's answer:

Synergies between the two Funds (EaSI and ESF) were foreseen as regards in particular the upscaling, under the ESF, of social innovation projects developed in the context of EaSI , in line with article 10 of ESF Regulation. This aspect will be evaluated in the context of the second thematic report within the project "ESF 2014-2020 Performance and Thematic reports".

EaSI is complementary to the ESF in the area of meeting the Europe 2020 goal of employment and social inclusion by fostering social innovation. The main logic for promoting social innovation by ESF is very similar to the approach of the EaSI projects, which consists in testing, evaluating and finally scaling up of innovations. The funding provided via EaSI allows project partners to carry out pilot project interventions in the areas of employment, social inclusion & social protection of vulnerable groups. The knowledge created and the good practices identified via projects financed by EASI can be further disseminated to national authorities and relevant stakeholders, scaled up and financed on the national level by ESF.

In the field of labour mobility and access to labour markets there are complementarities with the ESF. The EaSI projects have a transnational set-up while the ESF actions are implemented within the scope of a Member State under national rules. ESF actions focus on supporting individual workers at national level (provision of information and services, active labour market measures) while EaSI provides horizontal support to the functioning of the European job search network (EURES) as a whole and supports transparency of labour markets in general, e.g. through a common training programme for staff of EURES member organisations and the development and maintenance of the European job mobility portal. The portal makes available job vacancies and information from all Member States. EaSI also supports projects relating to services for particular target groups considered of Union added value, such as support to frontier workers in cross border regions, and projects that allow for reaching particular target groups throughout the EU under the same rules, thereby ensuring equal treatment and a programme logic, in the case of targeted mobility schemes such as for young mobile workers, Your first EURES Job. Thus, EaSI funding complements with its specific services, the more general offer at national level of information, assistance and guidance provided to workers interested in mobility.

As shown by recent research work, streamlining some rules across funds could help to maximise the potential of such complementarities and synergies between EaSI and ESF.

45. Only 75% of all funding through ERDF and ESF financial instrument had been used. What are the reasons for the low disbursement rate for financial instruments?

Commission's answer:

The Commission underlines that the average disbursement rate of 75 % at end of 2015 -a substantial increased rate compared to 57 % at the end of 2014- represents a very heterogeneous situation between Member States, depending on a number of factors including the financial crisis, the limited experience in some Member States and the late start of some instruments in the whole programming period.

Taking into account the life cycle of the financial instruments, a substantial increase in the disbursement rates is still expected in the last year of implementation and it is only at closure that a final conclusion on the disbursement rates can be drawn. According to the report issued by 1 October 2017 on the situation at closure (end of March 2017) on the basis of data reported by Member States, the average disbursement rate reached 93%.

Member States have to deduct at closure the remaining amounts in financial instruments not fully used in accordance with Article 78(6) of Regulation (EC) 1083/2006. In the 2014-2020 programming period, the payments in tranches into financial instruments, subject to the actual level of disbursement to final recipients, will limit the risk of under-utilisation of financial instruments and of creating outstanding endowments during the implementation.

The Commission also refers to the reply of Commissioner Cretu on this question.

46. The financial engineering instruments (FEIs) are increasingly important providing potentially significant leverage effect. As is the case for all EU funding, also FEIs' performance needs to be critically analysed in order to improve the potentiality and usability of these instruments. According to the summary provided by the Commission on the progress made in financing and implementing FEIs in 2007-2013 programming period, the FEIs with a total budget of EUR 16,4 billion contributed to a creation of 170 000 jobs in 25 Member States. Commissioner Thyssen, do you consider the number of jobs created satisfactory? How many jobs is the Commission expecting to create with the help of FEIs during the current MFF? How would you improve the usability of FEIs so that their potential would be better harnessed?

Commission's answer:

Financial instruments are only one of the delivery modes of cohesion policy and therefore the number of jobs created has to be counted in an aggregated manner. Jobs created with financial instruments, thanks to their repayable nature, are supposed to be stable and available over longer periods of time. Therefore the number of jobs created is considered by the Commission as satisfactory even though we want to do more for the current MFF.

Moreover, the Commission expects an increase in the number of jobs created thanks to the better regulatory framework, larger scope of financial instruments implementation, guidance provided by the Commission and awareness raising and capacity building provided by the fi-compass platform.

Taken together, the European Progress Microfinance Facility ("Progress Microfinance") under the 2007-2013 MFF and the EU Programme for Employment and Social Innovation (EaSI) Microfinance and Social Entrepreneurship axis under the 2014-2020 MFF is forecast to create or preserve over 240,000 jobs for a budget of under €300 million.

"Progress Microfinance" was launched in 2010 under the 2007-2013 MFF. This facility has so far financed more than 53,000 micro-entrepreneurs and vulnerable persons that experience difficulties accessing credit. In terms of employment, Progress Microfinance has helped to create and sustain over 93,000 jobs across 23 Member States for an EU contribution of €180 million.

Under the EaSI guarantee operations, the Commission expects to support some 100,000 micro-entrepreneurs in starting up and growing their business, translating into more than 150,000 jobs for an EU contribution of less than €100 million. In addition, a top-up from the European Fund for Strategic Investments (EFSI) will double the budget available for the EaSI Guarantee, which in turn should enable this job creation impact to be significantly increased.

The Commission also refers to the reply of Commissioner Cretu on this question.

47. Regarding the quality of the data received from Member States on financial instruments, could you elaborate further, what is the matter of this data? What were the inaccuracies found? This data is used as a basis for decision making for the Commission. How can be ensured the Commission receives the correct data? What efforts had be done so far in exchange with the Member States?

Commission's answer:

Concerning European Social Fund financial instruments implemented under shared management the data collected every year refer to all spectrum of the implementation from the ex-ante assessment to the signature of funding agreements to implementation and disbursement towards final beneficiaries.

In the current programming period the rules for reporting are substantially improved if compared to the past. The reporting is not only a collection of financial data but it also allows the Commission to have a general understanding of the performance of the sector.

For the 2014-20 programming period regulatory requirements on reporting were strengthened in the common provisions regulation (CPR) and the specific implementing Regulation. The Commission provided to Member States a specific guidance on reporting together with an annotated template in order to help managing authorities filling in the data in the reporting tool.

Taking into account that the "Annual Summary of data on the implementation of financial instruments" is built by the Commission on information received by the managing authorities trough SFC, the main cohesion policy reporting tool, over the years technical adjustments were needed to improve the quality and reliability of the records. The imprecisions found in the last reports were mainly linked to those member States that were implementing financial instruments for the first time and therefore not used to deal with the complexity of the reporting tool.

The Commission also refers to the reply of Commissioner Cretu on this question.

48. The Commission noted in its EaSI performance monitoring report:

- “(...) The use of the EURES Job Mobility Portal kept expanding in 2015-2016. According to the latest data, the EURES online platform attracts 1.76 million users each month. This number has increased from 0.85 million monthly users in 2013 and 1.2 million users in 2014.
- In 2016, there were 52 282 placements resulting from consultations with jobseekers, i.e. around 6 % of personal contacts resulted in an actual placement (increased twice compared to 2014).
- The years 2015-2016 marked a strong start for the Microfinance and Social Entrepreneurship axis. As many as 33 contracts were signed with the microfinance intermediaries for EUR 50.3 million, which resulted in 13 021 microloans worth EUR 152 288 million.
- In 2015-2016 EaSI has also released the first funding for social enterprises (first 7 contracts for EUR 9 million).

What does expanding the mobility portal really mean?

Commission's answer:

The EURES Job Portal is indeed registering increased popularity which is partially a result of the strengthening of the EURES "brand" and the related services it provides. However, any objective evaluation of the success of the Portal should take into account the seasonal and more general economic context fluctuation in both number of job vacancies available and number of visits.

The real expansion of the EURES Portal is defined by one of the main objectives of the new EURES Regulation (EU) 2016/589 which relates to increased transparency achieved through much higher number of job vacancies advertised and the introduction of exchange of CVs. Article 17 (1a and 1b) of the Regulation, in fact, requires that all job vacancies and all CVs with individual consent published through the Public Employment Services (PES), the EURES Members and, where relevant, EURES Partners, are made available on the EURES Portal. This is expected to lead to much higher number of job vacancies and CVs on the Portal as the number of EURES network members is expected to expand. It is also meant to ensure the abolishment of divergent national practices related to EURES data exchange through the requirement of full transparency for job vacancies and CVs coming from the Public Employment Services in the Member States. In addition, the new Regulation provides for online skills-based matching of Job Vacancies and CVs which is expected to increase the number of CVs and visits by jobseekers. Overall, the expansion of the EURES Job Mobility Portal is seen as a consequence of an increased number of services developed, more transparency and more partner organizations joining the EURES network.

What does “placements” mean? Were jobs created and if yes were they sustainable?

Commission's answer:

Placements refer to jobseekers finding paid employment opportunities. Exact figures on placements through any job portal are difficult to calculate and this includes the EURES Job Portal. This is due to the fact that very often contacts between employers and jobseekers take place through the Portal but the final outcome of the interaction (an employment contract or not) is not registered on the Portal. Figures available are, thus, only indicative and assumed to be an underestimation.

Who are the "microfinance intermediaries"? How high was the management fee per loan? Did the Commission negotiate the management fee? What is the percentage of leveraged private capital?

Commission's answer:

By the end of 2016, 33 EaSI Guarantee operations for Microfinance had been signed with financial intermediaries for a total amount of EUR 50.3 million under the EaSI Microfinance and Social Entrepreneurship axis. The financial intermediaries with whom agreements have been signed are the following:

No	Financial Intermediaries (EaSI Microfinance Guarantee)	Country
1	ADIE	France
2	Qredits	Netherlands
3	Microfinance Ireland	Ireland
4	PerMicro	Italy
5	Nextebank SA	Romania
6	Caja Laboral Popular S.Coop.	Spain
7	Banco Popular	Spain
8	Inicjatywa Mikro	Poland
9	La Nef	France
10	Fredericks Foundation	United Kingdom
11	Komerční banka	Czech Republic
12	LHV	Estonia
13	ALMI	Sweden
14	Libra Bank	Romania
15	Česká spořitelna	Czech Republic
16	Karditsa Cooperative Bank	Greece
17	GoodBee	Romania
18	BESA	Albania
19	Erste Bank (AU)	Austria
20	Caixa Pollenca (Colonya)	Spain
21	MicroStart SCRL	Belgium
22	Pancretan Cooperative Bank Ltd	Greece
23	Milllenium bcp	Portugal
24	OTP Banka Slovensko	Slovakia
25	Slovene Enterprise Fund	Slovenia

26	Eurobank Ergasias SA	Greece
27	Raiffeisen Bank	Czech Republic
28	Credal SC	Belgium
29	Erste bank Novi Sad	Serbia
30	KGF	Sweden
31	Initiative France	France
32	Crnogorska komercijalna banka AD (“CKB”)	Montenegro
33	Nest Bank S.A. (previously FM Bank PBP S.A.	Poland

These signed operations alone are expected to unlock more than EUR 637 million of financing for microenterprises, resulting in an expected leverage factor of 12.6 (compared with a minimum target leverage factor of 5.5).

The European Investment Fund is mandated by the Commission as the entrusted entity for the implementation of the EaSI Guarantee. The EIF's remuneration, which includes administrative and the policy-related incentive fees, has been the result of extensive negotiations between the Commission and the EIF. Based on the information provided by the EIF estimating the final recipient loan inclusion volumes as at 31/12/2016, the signed operations for microfinance and social entrepreneurship are expected to generate 60,297 microloans and 1,682 loans for social enterprises respectively. Based on the total remuneration paid to the EIF for the implementation of the EaSI Guarantee of EUR 6.24m as at 31/12/2016, the management fee would amount to indicatively EUR 101 per loan. The Commission expects the cost per loan ratio to decrease progressively as the EaSI budget is fully deployed.

Please list and explain the seven social enterprises.

Commission's answer:

By the end of 2016, 7 EaSI Guarantee operations for Social Entrepreneurship had been signed with financial intermediaries for a total amount of EUR 9.06 million under the EaSI Microfinance and Social Entrepreneurship axis. The financial intermediaries with whom agreements have been signed are the following:

No	Financial Intermediaries (EaSI Social Entrepreneurship Guarantee)	Country
1	La Nef	France
2	Keyfund	United Kingdom
3	TISE	Poland
4	Caixa Pollenca (Colonya)	Spain
5	Erste Bank (AU)	Austria
6	Soria Futuro S.A	Spain
7	Caja Laboral Popular (Laboral Kutxa)	Spain

These signed transactions alone are expected to unlock more than EUR 116m of financing for social enterprises, resulting in an expected leverage factor of 12.8 (compared with a minimum target leverage factor of 5.5).

In total, the combined EaSI Guarantee operations for both microfinance and social entrepreneurship signed by the end of 2016 are expected to unlock more than EUR 748m in financing for micro- and social enterprises, already surpassing the initial target of EUR 528m and the minimum target leverage of 5.5 of the EaSI guarantee financial instrument.

* * *