2014 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER

THYSSEN

Hearing on 1 December 2015

<u>Performance related issues</u>

1. According to the Annual Activity Report 2014 of DG EMPL the long-term unemployment rate was 5.1% in the year 2013. It cannot be expected that the overall aim of 3.5% in 2015 will be achieved. Which measures by DG EMPL are designated for reducing the long- term unemployment rate in the EU?

<u>Commission's answer:</u>

While economic output and employment have both started to recover in the last quarters of 2014, they remain below the pre-crisis levels and the foundations of further growth remain fragile. Moreover, the employment and social impacts of the crisis will take years to redress, even under the most optimistic scenarios.
Against the weak macroeconomic background, employment has shown a small but consistent growth in the EU since mid-2013, increasing by 0.3 % both in the second and in the third quarters of 2014. The trend of falling unemployment rates which started in September 2013 however appears to have lost pace and nearly stopped. The EU unemployment rate was 9.6% in July 2015.

Given the evolution of the Long Term Unemployment rates, DG EMPL has revised this milestone from 3.5% to 4.5% in its Management Plan 2015.

In 2014 and 2015, Country Specific Recommendations were addressed to 12 Member States in the area of long-term unemployment. On 17 September 2015 the Commission adopted a proposal for a Council Recommendation on the integration of the long-term unemployed into the labour market; political agreement on the proposal should be reached at the forthcoming EPSCO Council on 7 December. In 2016, DG EMPL will contribute to finalising within the Employment Committee the monitoring arrangements for national implementation, will organise a range of dissemination events and actions, will support the work of the European Network of Public Employment Services in the area and will proactively guide the spending of ESF resources through a Thematic Network on employment with relevant Member State authorities.

2. Could the Commission please provide the Parliament with a list of ESF-absorption rates in 2014 in the respective Member States?

<u>Commission's answer:</u>

Country	Total Payments (Prefinancing + Interim Payments)/ Decided (situation as at 31/10/2015)
Austria	95.00%
Belgium	86.10%
Bulgaria	94.34%
Croatia	65.60%
Cyprus	94.06%
Czech Republic	86.52%
Denmark	85.61%
Estonia	95.00%
Finland	95.00%
France	89.78%
Germany	91.66%
Greece	90.37%
Hungary	81.45%
Ireland	88.95%
Italy	87.68%
Latvia	95.00%
Lithuania	95.00%
Luxembourg	91.99%
Malta	77.71%
Netherlands	94.12%
Poland	95.00%
Portugal	95.02%
Romania	62.15%
Slovakia	78.54%
Slovenia	95.00%
Spain	74.90%
Sweden	95.00%
United Kingdom	87.22%
TOTAL	**87.52%**

Helping Member States to improve absorption of the ESF in all Member States is a key priority for the Commission. The Commission has for example set up 8 taskforces to help Member States that are at risk of de-commitment. These taskforces identify the problems behind the delays in implementation, develop in cooperation with Member States action plans with concrete measures and monitor the implementation of the measures set out in the Action Plans. For example, in Romania, measures have been taken aimed at improving control and audit activities, increasing the administrative capacity of the bodies responsible for OPs implementation, enhancing the capacity and ownership of beneficiaries, and also anti-fraud measures in using the EU funds. Moreover, the taskforce has also developed an action plan for the implementation of audit recommendations. In Slovakia, a number of measures were taken by the Managing Authority to speed up absorption and mitigate the de-commitment risk, namely: simplification and administrative burden reduction, more intensive communication with and guidance (including training) to beneficiaries, shortened time limits for first (management) level verification of payment requests, listing of common errors and how to avoid them, ex ante verification of public procurement. These measures seem to have sped up the contracting and incurring of costs by beneficiaries.

3. How many jobs have been directly and indirectly created due to the ESF funding in 2014? What was the figure in 2013?

Commission's answer:

First of all, it should be stressed that the ESF's contribution to the labour market goes beyond job creation. The ESF invests in people to allow them to maintain employment, evolve in their job and find new opportunities by developing their skills and creating the right skills for tomorrow's jobs.

The preliminary findings of the ex post evaluation of the programming period 2007-2013 show that 8.8 million ESF participants gained (or maintained) employment as a result of ESF interventions during this period till the end of 2013. Also, more than 300.000 people supported by the ESF became self-employed and more than 50.000 start-ups were supported. More results related to the 2007-2013 programming period for the year 2014 will be available early 2016. It should be noted, however, that in the programming period 2007-2013, no common result indicators to be reported by the Member States had been defined by the regulatory framework. Therefore, EU-wide results achieved by the ESF have to be estimated based on an aggregation of similar types of result indicators used by individual Member States, where this is possible. This work is being done in the context of the ex-post evaluation of the ESF.

For the new programming period 2014-2020, we expect ESF support for employment to improve the job finding chances of more than 10 million unemployed people.

In addition the ESF will support self-employment, entrepreneurship and business creation, including innovative micro, small and medium sized enterprises. Some 400.000 micro, small and medium-sized enterprises (including cooperative enterprises, and enterprises in the social economy) are expected to receive ESF funding to invest in human capital development and in people skills. Member States will start reporting data on the number of participants in employment, including self-employment, following ESF support starting in April 2016.

Finally, it should be stressed that the ESF's main mission is to invest in people's employability and their integration into the labour market. The Fund helps people maintain their employment, evolve in their job and find new opportunities by developing skills and creating the right skills for tomorrow's jobs. By doing so the ESF also contributes to job creation, for instance by helping people setting up a new business or becoming self-employed.

4. How many jobs have been directly and indirectly preserved due to the ESF funding? What was the figure in 2013?

Commission's answer:

See also reply to question 3.

The preliminary findings of the ex post evaluation of the 2007-2013 programming period estimate that 8.8 million ESF participants gained (or maintained) employment as a result of ESF interventions during this period till the end of 2013.

5. How many jobs have been directly and indirectly created due to the EGF funding? What was the figure in 2013?

Commission's answer:

The final reports presented by 7 Member States in 2013 showed that at the end of the EGF implementation period, 3 263 workers, or 44.2 % of the 7 383 workers who received EGF assistance, had found new jobs or were self-employed. This is a good result, particularly as the workers supported by EGF co-funded measures are usually among those facing the greatest difficulties on the labour market. Those still in education or training at the end of the implementation period normally find jobs within a short period after those measures are completed.

There is no information about indirect job creation, except in those few cases where EGF co-funded workers created their own businesses and Member States informed the Commission that these had employed some additional people from outside the target group. These numbers are very small, as the businesses created are usually micro-enterprises at start-ups.

6. How any jobs have been directly and indirectly preserved due to the EGF funding? What was the figure in 2013?

Commission's answer:

The EGF becomes involved at the request of the Member State, once the eligible workers become redundant. As a result of its supportive activities, the redundant workers are helped to find new jobs as quickly as possible, and they are furthermore strengthened in their position on the labour market by means of in-depth counselling and advice, various training and upskilling measures, and the opportunity to create their own businesses. In this way, the net job loss as a result of a mass redundancy event is significantly reduced.

Please see the reply to question 5 for the reintegration rates.

7. During 2014 the Parliament adopted 18 applications for the mobilisation of the EGF. Can the Commission provide data about how many workers benefitting from this scheme were reintegrated in the labour market?

Commission's answer:

The applications approved by Parliament and Council in 2014 are still being implemented. The EGF implementation period is normally 24 months after the application date (this period can exceptionally be postponed by up to three months). After the end of the implementation period, Member States have a further 6 months to prepare a final report. Most of the cases approved in 2014 will be presenting their final reports in 2016.

As regards the 24 applications approved by Parliament in 2014, the number of workers made redundant (and therefore eligible for EGF support) in these cases was 28 142, while the number of these eligible workers expected to participate in the EGF actions was 19 702. The difference is due to the fact that some workers may have already found new jobs without the need for assistance by the time the application was made, while some would be expected to opt for example for early retirement or to stay inactive for family related reasons. In addition to the targeted workers, the Member States also applied for the participation of 1 893 NEETs.

8. Does the Commission hold relevant estimations on the performance of the funds allocated to fight against unemployment in 2014? What results have been achieved?

Commission's answer:

The core objective of the ESF is to improve employment prospects of EU workers thorough investments in their skills and adaptability. Therefore, the vast majority of the amounts invested from the ESF contributes directly or indirectly to promote employment and to fight against unemployment.

The preliminary findings of the on-going 2007-2013 ESF ex-post evaluation show that 8.8 million ESF participants, out of which some 25% were unemployed upon entry in an ESF intervention, gained or maintained employment as a result of ESF interventions during this period till the end of 2013. Furthermore, by the end of 2013, the ESF allowed 5,2 million participants to gain a qualification and a further 11,8 million reached other positive results, increasing their employment perspectives.

Results related to the 2007-2013 programming period for the year 2014 will be available early 2016.

For the 2014-2020 programming period, for each thematic objective and investment priority, Member States will start in April 2016 to report data on the number of participants in employment, including self-employment, upon leaving. This will provide a more complete picture of the immediate effects of the support to the unemployed. For YEI more specifically, first results are already available. See reply to question 38 below.

Further, in 2019 and 2025, the number of participants in employment, including self-employment six months after leaving, and the number of participants with an improved labour market situation six months after leaving will be reported.

As a complement to those ESF actions, the ERDF supports a wide range of investments that contribute directly and indirectly to job creation. In particular, support to SMEs is a key priority and one of the main sources of job creation. The Commission has made a preliminary calculation from the Member States reporting and monitoring systems that from 2008 to end-2014 around 950 000 jobs had been directly created in ERDF programmes. That figure had risen from 769 000 at end-2013. These jobs are only some of the effects (outputs) of the different investments. (Jobs safeguarded, jobs in construction and other implementation actions or jobs created later as a result of investments are not included in the monitoring data).

9. Does the Commission have information about the sustainability of created or preserved jobs?

Commission's answer:

As mentioned in replies to previous questions, during the 2007-2013 programming period the Member States did not have the obligation to report based on common result indicators. This applied also to the effects of the interventions on the participants after leaving the intervention and several months after that exit (the long-term results).

In the framework of the 2007-2013 ex-post evaluation, an attempt has been made to assess the sustainability of the results for ESF participants. Where available, preliminary results show that the sustainability of results ranged between 20´% and 80%, depending on the type of intervention, the target group and the context. There is for example evidence through counterfactual impact evaluation carried out in Sweden that, after 90 days, the employment of ESF participants was 12% higher than for participants in non-ESF funded measures.

For the 2014-2020 programming period, in 2019 and 2025 Member States will have to report the number of participants in employment, including self-employment, as well as the number of participants with an improved labour market situation six months after leaving the ESF operation, thus providing a more detailed picture about the sustainability of ESF support.

The ERDF definition for the main job creation indicator recommends that the posts have been occupied (vacancies are not counted), that the jobs are additional within the employing bodies and are expected to be permanent (i.e. last for a reasonably long period depending on industrial-technological characteristics).

More generally, assessing sustainability after financing can be partly addressed through evaluation and surveys.

10. With regard to performance orientation and based on the project outputs observed (and, where possible, the assessment of the intended results), the Court concluded that 89 of the 186 projects (48 %) reached (or exceeded) all targets that had been specified to measure the project performance. For 56 projects (30 %) the Court found that one or several indicators specified for the project did not attain the intended target value. For 17 cases (9 %) the deadline to attain the targets was reached for some, but not all targets by the time of the audit. How will the Commission further improve the ratio?

Commission's answer:

The Commission notes that 143 projects out of the 186 examined (77%) from the three funds combined (ERDF, CF and ESF) have reached (either fully or partially) or exceeded their targets. This share is even higher for the ESF given the specific nature of its projects and their typically shorter implementation timeframe.

Moreover, as indicated by the Court in its report, out of the remaining 23% of the examined projects, only 2%, i.e. 3 projects, attained none of their targets. For the other projects, either the deadline to attain the objectives was reached for some, but not all targets by the time of the audit (17 projects) or the performance could not be assessed by the Court because of lack of information available (absence of key indicators) or the presence of objectives not in line with the operational programme or priority axis.

Indeed, the Commission notes that it is only at the stage of the closure of the programmes in 2017 that the performance of projects will be finally evaluated by the Member States and reported to the Commission. The Commission is convinced that by this date, the very large majority of all examined projects will have reached or exceeded their targets in all respects.

The Commission notes that performance evaluation of programmes has been further reinforced for the 2014-2020 period. On the one hand, the Commission will be able to sanction Member States in case of serious underachievement. On the other hand, through the performance reserve more funding will be allocated to the best performing projects/programmes.

11. What precisely were the contributions of DG EMPL to country specific recommendations, which measures and for which countries?

Commission's answer:

DG EMPL is one of the three core DGs in the European Semester process and plays a crucial role in writing Country Reports and designing Country Specific Recommendations (CSRs). In 2015, CSRs within the remit of DG EMPL were addressed to all Member States, with the exception of Denmark and Sweden. Around half of Member States received recommendations concerning pension systems and the broad area of education, skills and training. The policy areas of social inclusion and poverty reduction, wages and wage-setting mechanisms, as well as healthcare and long-term care were addressed by recommendations for at least 10 Member States. Furthermore, between 5 and 9 Member States were requested to take actions in the following policy areas: labour taxation and undeclared work, active labour market policies and public employment services, youth employment, labour market participation of women, employability of vulnerable and disadvantaged groups. Romania, Bulgaria, Belgium and Italy were the countries requested to act in the highest number of policy areas under the responsibility of DG EMPL.

The ESIF legislation for the 2014-2020 period introduced a very strong policy and results orientation by linking the funds directly to the CSRs, in order to contribute to the achievement of the Europe 2020 headline targets. This includes a strong policy steer from the Employment Guidelines and the Council recommendations on Education.

"Investment relevant" CSRs were the basis for the negotiations of the partnership agreements and the ESIF operational programmes. In the case of the ESF, the programming was primarily geared towards ensuring support for the fund relevant CSRs (in particular from 2013 and 2014) in the partnership agreements but more particularly in the operational programmes. This was done by steering the majority of the funding towards those investment priorities that were more relevant for the CSRs implementation, on the basis of the thematic concentration rules for the ESF and by aligning the intervention logic in terms of specific objectives, actions and targets to those results that were relevant for tackling the CSRs challenges.

Moreover, the Member States automatically have to fulfil the corresponding ex-ante conditionality, which in many aspects relate to the CSRs challenges. This helped to ensure the establishment of the necessary policy and legislative framework necessary before funding. And through the Performance Framework, targets had to be selected that were most relevant for the implementation of the CSRs challenges.

The first more in-depth monitoring of their implementation will take place in 2017 in the context of the Commission’s Strategic Report.

Looking at the 5 main areas co-financed by the ESI Funds / investment relevant CSRs:

– CSRs on labour market participation and active labour market policies are particularly relevant for the ESF and in many instances a direct link to public investment is to be made. The groups more commonly targeted in the CSR were women, young unemployed, in particular

NEETS, older workers and people with migrant background.

- CSRs on education and training were also very relevant to base the policy choices of the allocation of the ESF, especially in what concern the increase in quality, tackling the mismatch between skills and market needs, the general educational coverage, in particular to children of migrant or Roma background and extension of childcare (also related to female participation in the labour market).
- The CSRs on administrative capacity (incl. public service reform) are issues that are both relevant for successful semester structural reforms, for effective implementation of EU investments and areas where ESI funds are financing reforms;
- CSRs on health system reform are relevant to encourage required health reform strategies (ESIF also requires ex-ante conditionalities (EACs)) and is an area where ERDF / ESF plan investments to improve health outcomes;
- Poverty reduction and social inclusion CSRs on disadvantaged groups (incl. ROMA) are areas where the Commission is also targeting ESIF investments and we have EACs;

12. Could the Commission provide some concrete examples of corrective measures put in place in Member States due to the difficulties related to financing of public debt or relating to the impossibility of Member State to provide the national financial contribution as a result of the economic crisis?

Commission's answer:

The Commission is aware that due to financial crisis some Member States have been struggling to provide the required national contribution to co-finance EU funds.

The following measures have been taken at EU and Member States' level that help to address this problem:

- Increase by 10 percentage points of the co-financing rate for Member States experiencing temporary budgetary difficulties (top-up) in line with Article 24 CPR upon request from a Member State applicable to interim payment claims till 30 June 2016. Depending on the application of this measure, the Commission submits a report to the Council and a legislative proposal for extension if considered necessary by 30 June 2016.
- In relation to the 2007-2013 programming period, increase by 10 percentage points on interim payment claims during the period a Member State is subject to macroeconomic surveillance programme (applied to all Member States under such programme) under the 2007-2013 regulatory framework.
- Possibility for the Member States to make use of bridge financing loans to cope with the mandatory national contribution.
- Exceptional measure for Greece for the 2007-2013 programming period, that increases the co-financing for programmes to 100% and eliminating

the 95% ceiling for payments at the end of the programming period (ie. payments continue beyond the cumulative payment level of 95%).

- Amendment of OPs increasing the EU co-financing rate up to the maximum possible under the General Regulation, where the rate was initially set at lower levels (on request from any Member State and depending on the Commission services' assessment).
- Additional pre-financing paid for operational programmes supported by the YEI. The purpose was to address liquidity problems faced by those Member States most affected by the crisis by increasing the immediate funding made available for implementation of the YEI.
- The ESF regulation provides for specific provisions on co-financing for the YEI that reduce the burden on the national contribution.
- Exceptional measure that increases the pre-financing paid to Greece for 2014-2020 programming period.

Besides these regulatory measures, ensuring that sufficient budgetary resources are available for EU-funds' co-financing is a responsibility of the Member States and a matter of prioritisation of their public expenditure.

Employment, social affairs and inclusion

13. We see some discrepancies between the Commission's criticism of Member States and the less critical attitude of the ECA concerning the ESF implementation. Given the fact the ECA has pointed to a slightly better result in shared management compared to direct management in 2014, how the Commission can explain these discrepancies?

Commission's answer:

Despite significant improvements in recent years, the error rate in the cohesion policy area remains above the materiality threshold. At the same time, as evidenced by error rates reported by national audit authorities (if necessary reviewed by the Commission), there are significant variations in error rates between Member States and even between managing authorities and programmes. In an effort to further decrease the error rates in this policy area, the Commission therefore works in priority with the worst performing Member States, regions and authorities to help them improve their management and control systems and achieve a lasting reduction of error rates.

Concerning direct management, while the ECA annual report 2014 provided an estimated level of error for shared management taken as a whole (4,6% compared to 4,9% last year), it does not provide an overall level of error for direct management. On the other hand the ECA reported an estimated level of error for "*all other forms of operational expenditure*" (see 1.29 of ECA annual report). This category of expenditure includes not only funds implemented under direct management, but also indirect management where the Commission entrusts management of EU funds to other entities (for example national agencies, EU agencies, joint undertakings, international organisations, European Investment Bank Group). The estimated level of error for all other forms of operational expenditure reported by the ECA was 4,6% in 2014 compared to 3,7% in 2013. The error rate in the new Chapter 5 "Competitiveness" might have contributed to this increase. However, over half of the issues identified by the Court in this chapter relate to inadequate work by 'external' Certifying Auditors and national authorities. Additional efforts by the Commission are ongoing to provide guidance and raise awareness, especially for Certifying Auditors.

The estimated level of error for *administrative expenditure,* which is implemented under direct management only, was according to the ECA 0,5 % in 2014 compared to 1,0 % in 2013.

14. Are the OPs in line with the obligation to earmark at least 20% of the ESF funding for social inclusion? According to the adopted OPs what would be the global share of ESF funding to be dedicated to social inclusion? What is the higher rate? What is the lower rate?

Commission's answer:

The ESF budget for social inclusion is calculated on the basis of the overall ESF resources available at Member State level and not for each Operational Programme separately. The EU average amounts to 25.6 % of the ESF total allocation, thus significantly exceeding the 20 % minimum required. – While the lowest rates are close to or at the minimum of 20% for example in Lithuania (20%), Finland (20%) and Slovenia (20.6%), the highest rate in the Netherlands reaches as high as 74.1%.

15. Could you present us the state of play of the use of the simplifications by the MS? Do all Member States use the simplified cost option? How do you intend to increase the use of the simplified cost options by MS? Which Member States are slow in taking-up this option?

Commission's answer:

Overall, based on the simplification survey recently completed, it is estimated that almost 7% of the total expenditure to be declared by Member States for ESF co-financing for the 2007-2013 programming period will be under at least one type of simplified cost options. As shown in the overview report on simplification recently submitted to the CONT Committee, the implementation of simplified cost options (SCOs) in Member States varies greatly; while some have not implemented SCOs at all (Croatia, Romania and the Netherlands) others expect to declare in the ESF for the 2007-2013 period around a third of their expenditure under a SCO (for example Italy and Belgium). These stark divergences at Member States' level often mask an even stronger divergence within the Member State itself, whereby one region or operational programme might make extensive use of

SCOs while the others don't implement SCOs at all.

This slow uptake of the use of SCOs is due to the relatively limited possibilities of the 2007-2013 regulatory framework and lack of knowledge in Member States. Lack of legal certainty over the SCOs in the 2007-2013 programming period and the need to develop their own methodology and collect relevant statistical data have also been pointed out by most Member States as a barrier to more substantial take up of simplification.

Nevertheless, the positive impact of the use of SCOs in the 2007-2013 programming period has already been pointed out by the Court in their annual report over the last 3 years, where they state that no errors have been identified in any of the sampled projects implemented under SCOs.

The above root causes have been largely addressed in the 2014-2020 regulatory framework, which significantly increases legal certainty and removes in certain cases the need to develop own methodologies by providing ready–made solutions, such as standard flat rates enshrined both in the CPR and in the ESF regulations. The latter goes even further by allowing under Art 14.1 of the ESF regulation the reimbursement of expenditure on the basis of standard scales of unit costs and lump sums defined by the Commission in a Delegated Act.

As shown in the abovementioned overview report on simplification, the survey recently conducted by the Commission for the ESF shows that Member States have a great interest in SCOs and the new regulatory framework for the 2014-2020 therefore carries great potential in this respect. According to the survey, all Member States will implement at least to some extent simplified costs in the new period. Overall, based on the information provided by Member States, the estimated amount to be declared under a form of SCO at EU level over the 2014-2020 programming period is expected to be 35%, which represents a major increase compared to the 7% estimated for 2007-2013. Again, the survey reflects significant differences among Member States, with some significantly above the 35% average (Spain, Italy, The Netherlands and Sweden) and others significantly below (Bulgaria, Hungary, Latvia and Slovakia). A study on the intended uptake of simplified cost options by Member States was also launched by DG Regional and Urban Policy. The preliminary results of this study will be available in spring next year. The final results of this study are expected in early autumn next year.

In order to increase the use of the simplified cost options, the Commission is first of all making sure that the mandatory simplification in the new Programming Period is correctly applied: The use of Simplified Cost Options is indeed now compulsory for all ESF operations below EUR 50 000 of public support (except in the cases of public procurement).

The greatest challenge is also to maximise the optional use of simplified cost options and joint action plans. To do so, the Commission continues to actively promote simplification. For example, it has published a Guidance note on the SCOs set out in the CPR in all EU languages and another Guidance note on ESF's Regulation Art 14.1, abovementioned, held a series of simplification seminars and training sessions in 2015 (11 priority Member States covered in this second round of simplification seminars after those already conducted in most Member States since 2013) and created a transnational network on simplification to facilitate mutual learning among Member States.

Furthermore, DG EMPL is providing active support to all Member States that have decided to use the significantly enhanced simplification opportunities offered by ESF's Regulation Art 14.1.

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Further details on the results of the survey on the use of SCOs in Member States and on the actions planned by the Commission to increase their use are provided in the report on "Simplified Cost Options in the European Social Fund" recently submitted to the CONT Committee.

More widely, the Commission has established a High Level Group on Monitoring Simplification for Beneficiaries under the ESI Funds, and one of the first priorities of the group will be examining the uptake of simplified cost options for all ESI Funds and how this can be expanded. DG EMPL actively contributes to this work.

16. On average, how long did a European Globalisation Adjustment Fund case last (from the official demand to the final payment) in 2013 and in 2014?

Commission's answer: DG EMPL

The EGF contribution is paid out in a single instalment, within 15 days of approval by Council and Parliament. For the 2014 cases, the timelines between application and payment are defined in the EGF Regulation for 2014 to 2020, and any variation is only by a matter of days. From application to payment, the period comprises the following elements :

- Questions from the Commission (2 weeks)
- Response from the Member State (6 weeks)
- Assessment and proposal from the Commission (12 weeks)
- Approval by Parliament and Council (6 weeks)
- Commitment and payment by the Commission (2 weeks)

The total time period is therefore around 28 weeks or slightly less.

For applications presented in 2013, the time period varied considerably, as neither Member States nor Commission were tied to deadlines for submitting a complete application and for asking and responding to questions enabling the Commission to prepare a reasoned proposal. The average time taken from application to payment was around 35 weeks.

The implementation period for EGF cases normally ends 24 months from the date of application, but can begin as early as the redundancies are announced, i.e. several months before the date of application.

17. By the end of 2014 a mere 68% of the ESF programmes for the 2014 – 2020 programming period have been adopted and no payments apart from the initial pre-financing have been made by the Commission. Considering the significant delay in the launch of the new OPs does the Commission envisage any specific measures to speed up programme implementation and payment as to avoid automatic de-commitment?

Commission's answer:

By 24 November 2015, over 92% (173 of 187) of the ESF programmes for the 2014-2020 programming period have been adopted. The total allocation of the adopted programmes amounts to EUR 84,610 million and the total initial pre-financing paid in 2014 and 2015 for these programmes reached EUR 5,013 million.

14 Spanish programmes are now all in the adoption procedure. It is expected that all programmes will be adopted before the year end.

The implementation of programmes is a responsibility of the Member States. The Commission, however, has been working closely with them. In this context, the Commission has also set up taskforces to help those Member States that are at risk of decommitment (for the 2007-2013 programming period). The objective is to find the problems behind the delays in implementation and find together the appropriate solutions for the specific problems faced by each Member State (as the causes may differ).

Moreover, the Commission has also presented general measures to boost implementation of urgent measures. For instance, in the case of the YEI, an additional pre-financing was paid to ensure that MS have sufficient liquidity to reimburse expenditure paid by beneficiaries.

Finally, the Commission considers that one of the reasons behind the low amount of payment applications received this year is the fact that many MS are still finalising the procedure of designation of their authorities. This, however, does not mean that there hasn't been any implementation. The Commission is positive that once designation procedures are over MS will immediately submit payment applications for reimbursement of expenditure relating to the ongoing implementation. In fact, Member States that have finalised their designation procedure have already started to claim expenditure to the Commission (207 million € to date), which indicates progress in implementation.

18. During an exchange of views in the Budgetary Control meeting on 13/07/2015, Commissioner Thyssen alluded to an overview which would be published in autumn 2015. The overview is to include an assessment on the negotiation of operational programmes and map out an investment schedule for various groups. Has this

overview been completed and published? If so, could the Commission please provide Parliament with this document?

Commission's answer:

This question seems to refer to the so-called "Article 16 report" which is currently under preparation by the Commission services.

According to Article 16 of Common Provisions Regulation (CPR), the Commission shall prepare a report on the outcome of the negotiations concerning the Partnership Agreements and the programmes, including an overview of the key issues, for each Member State by end 2015. In this context, the Commission will report on what is expected to be achieved with the new programmes. The report will be submitted to the European Parliament, the Council and other EU institutions.

This report will take the form of a Communication. It is planned to be adopted by the Commission around 14 December 2015.

Some of the expected achievements in the areas of employment, social inclusion and education can be found below. These expected achievements are based on targets set by Member States in their operational programmes for common output and result indicators. Since Member States didn't have the obligation to set targets for all common output and result indicators these results represent a partial view of what is to be achieved by the ESF.A total of EUR 120 billion, predominantly funded by the ESF but with the support of the other ESI Funds as well, will be invested in this area.

Promoting sustainable and quality employment

- 10 million unemployed people are expected to improve their chances of getting jobs.
- 2.3 million people are expected to be in employment, including self-employment following ESF support.
- 237,700 people are expected to take part in local mobility initiatives or joint employment and training initiatives across borders.

Promoting social inclusion

- 2.6 million inactive people are expected to participate in an ESF operation.
- 2 to 2.5 million disadvantaged people will participate in an ESF operation.
- 41.7 million people will benefit from improve health services, including investment in eHealth.

Investing in education and training

- 4.1 million under 25-year old are expected to participate in an ESF operation.
- 2.9 million people will gain qualification.

- 400,000 people will join education or training after leaving an ESF operation.
- 6.8 million young people will be able to use new or improved childcare or education facilities in 15 Member States.

Youth employment Initiative (YEI)

- 3.1 million unemployed or inactive participants are expected to complete a YEI operation.
- 1.6 million unemployed or inactive participants will receive an offer of employment, continued education, apprenticeship or traineeship following YEI support.
- 1.3 million unemployed or inactive participants will be in education/training, gain a qualification, or in employment, including self-employment, upon leaving a YEI operation.

19. How did the Commission ensure that the EU2020 policy objectives were reflected in the partnership agreements and programmes? What is the Commission's reaction to the Court's statement that partnership agreements and programmes do not sufficiently focus on the EU2020 objectives? What will the Commission do about it?

Commission's answer:

In the current programming period (2014-2020), all European Structural and Investment Funds contribute to the implementation of Europe 2020 Strategy objectives. However, as such there should not be a linear or mechanistic approach in applying the Europe 2020 targets to the EU budget.

Alignment of the ESIF programmes with the Europe 2020 objectives is ensured through the thematic objectives (TOs), which are thematic areas reflecting the high-level objectives of the Europe 2020 strategy. They constitute the framework for defining specific objectives, accompanied with indicators, baselines and targets, at the level of the investment priorities in each ESIF programme.

They address the needs of Member States identified in the European Semester and encourage budget consolidation by helping to preserve growth friendly expenditure. Support from the ESI Funds is conditional on Member States having the necessary policy framework in place before investment starts (ex-ante conditionality) and maintaining sound fiscal and macro-economic policies in line with their Treaty obligations (macro-economic conditionality). Partnership agreements and operational programmes have been analysed in line with the thematic objectives, defined in the Common Provisions Regulation (R. 1303/2013) and the specific priorities of each fund, which were structured based on the Europe 2020 Strategy objectives.

The ESF contributes to the Europe 2020 strategy in particular through the alignment of Operational Programmes (OP) with the country-specific recommendations (CSR) to address the specific challenges of each Member State to achieve the Europe 2020 strategy objectives and taking into account the relevant Integrated Guidelines.

The Commission's preliminary assessment shows that the investment priorities selected in the OPs are closely aligned with the CSRs and the EU priorities. Under these investment priorities, actions were programmed that will help implementing the CSRs on the ground as well as contributing to reach the Europe 2020 targets.

The report on the outcome of the negotiations concerning the partnership agreements and the programmes, prepared by the Commission on the basis of Article 16 of the Common Provisions Regulation for ESI Funds and to be released in December 2015, will show that concentration to key objectives of EU 2020 and the 10 priorities of the Juncker's Commission is a reality in the negotiated programmes.

For example, in Poland 75% of the ESF allocation (technical assistance excluded) is dedicated to challenges identified in CSRs. To ensure maximum contribution to CSRs, compared to the initial Polish proposal, additional EUR 0.8 billion were reallocated to CSR-related investment priorities as a result of the negotiations on the operational programmes. Similarly, Slovakia dedicated about 90 %, and the Czech Republic about 80 %, of the overall ESF allocation to investment priorities corresponding to country-specific recommendations. In both cases, this share had been substantially increased during the negotiations.

In Italy, the 2013 and 2014 CSRs covered a large spectrum of policy issues, among which the fight against unemployment (Youth and long term), social inclusion, the prevention of early school leaving and a modernised public administration. At the end, the Commission and Italy managed to agree on programmes which allocate 89% of the funds to those priorities.

The Commission will take into account the Court's suggestions to focus more on results (in addition to outputs) when preparing proposals for post 2020.

20. What does the joint audit strategy for the period 2014-2020 look like?

Commission's answer: DG EMPL, DG REGIO (associated)

First it has to be clarified that for the first time a Single Audit Strategy has been prepared for funds managed by DG Employment, Social Affairs and Inclusion, DG Regional and Urban Policy and DG Maritime Affairs and Fisheries. A copy of the last update of the Single Audit Strategy was sent to the Chair of the Committee on Budgetary Control on 30 June 2015.

The 2014-2020 audit strategy assurance building process is based on audits to verify the reliance that can be placed upon the work of national audit authorities. The main objective of these audits will be to confirm that no serious system deficiency remained undetected or unreported by audit authorities and that the reported audit opinions and residual error rates in relation to expenditure included in the annual programmes' accounts are reliable.

Since most audit authorities will remain the same, the results from the Commission extensive audit work to rely on audit authorities carried out under the 2007-2013 period will be a good starting point.

The Directorates General will take into consideration the provisions of Article 148 (3) of CPR when setting up their audit plan. In line with the single audit concept, they may agree with the audit authority to limit the Commission's own on-the-spot audits on the work of the audit authority for operational programmes for which the Commission concludes that the opinion of the audit authority is reliable.

The compliance audits will primarily focus on the re-performance of audits of operations at the level of audit authorities, based on their working papers, and on the spot at the level of final beneficiaries based on original documentation, depending on the risks identified. Through compliance audits the audit services will decide whether the audit opinion and residual error rates provided by the audit authority are considered reliable and can be used by the Commission for its own assurance. For the preparation of these re-performance activities, the Commission will review the main elements of the audit authority's methodology and will assess on the spot the effective implementation of its audit strategy. The Commission may also re-perform system audits, in principle, on the basis of a desk review.

For the remaining of their on-the-spot audit capacity, the Directorates General will carry out thematic/targeted audits for programmes and risk areas not sufficiently covered by the audit authorities or for which insufficient assurance has been obtained through the desk work.

The programmes to be covered by these audits will be selected based on a risk assessment to be concluded by the Directorates General by the end of April each year, considering, among other factors, the results of the desk review mentioned above and the assessment of the remaining risks in the expenditure of the accounting year under analysis. In the first 2 to 3 years (2015 to 2017), the priority for thematic audits will be given to two areas: reliability of systems for reporting performance data (a new feature linked to the result orientation of the policy) and financial instruments.

To mitigate the inherent risk mentioned above, the audit services will continue to deliver administrative capacity-building actions to the national authorities. They will provide early guidance and training to programme authorities and to audit authorities in particular to ensure the implementation of a stable and harmonised audit framework respecting high quality standards. Depending on the needs and the appropriateness, dedicated seminars and/or conferences on specific thematic issues may be organised. Member States' authorities will also be encouraged to share experience and audit findings.

At the beginning of the programme implementation, a specific audit approach has been foreseen. The Commission will carry out a desk review of a selected number of "designation packages" (i.e. the report and an opinion of the independent body that assesses the fulfilment by the designated authorities of the necessary criteria) which may require additional information or clarification to be obtained through on-the-spot fact finding missions. For the OPs selected for which the Member State had submitted an interim payment application, the audit services may decide to carry out early preventive system audits, which will focus on the functioning of the most important key requirements at this early stage of implementation. This will allow to obtain direct assurance until the Commission receives the first substantial audit opinions from audit authorities in Member States (Feb. 2017)

Errors and error rates

21. What is your view of the ECA's change of the presentation of the error rate every year? The discharge authority needs to have a stable presentation of the error rate in order to be able to see the real evolution and assess whether what it has requested to do to the Commission and the Member States has got any impact. Does the Commission think that it is possible?

Commission's answer:

While it is not up to the Commission to comment on the methodology and presentation decisions by the European Court of Auditors, it is clear that comparability of the figures between years makes it easier to assess if the different measures taken following the recommendations issued by the ECA and the discharge authority lead to an improved performance. The Commission always strives to follow up on the results of ECA's work in the best possible way to protect the EU budget against irregularities, strengthen the management and control systems of EU funds and maximise EU value added. In that regard, annual activity reports from DG EMPL and DG REGIO provide a basis for comparison for each Member State and programmes over the years, through the reservations disclosed.

The Commission notes that the most likely error rate for the "Economic, social and territorial cohesion" calculated by the Court for 2014 is in line with the error rates presented by the Court for the last four years and with the error rate range in DG Employment, Social Affairs and Inclusion's and Regional and Urban Policy's 2014 AARs.

This confirms that the error rate for the 2007-2013 programming period remains stable and significantly below the rates for the 2000-2006 period. This improvement derives from the reinforced control provisions of the 2007-2013 period and the Commission's strict policy to interrupt/suspend payments and implement any necessary financial corrections as soon as deficiencies are identified, as reported in the 2014 annual activity reports of DG Employment, Social Affairs and Inclusion (see pp. 59-62) and DG Regional and Urban Policy (see pp. 53-58).

The Commission will continue to focus its actions on the riskiest programmes/Member States and implement corrective measures when needed through a strict policy of interruptions and suspensions of payments and financial corrections up to closure, and to apply strict procedures at closure to exclude any remaining material risk of irregular expenditure.

22. The error rate for the Employment and Social Affairs is stable over the years, despite the increase in the volume of expenditure. Do you consider the intensity of controls appropriate and cost-effective? If not, what do you propose?

Commission's answer:

The error rate for the ESF is relatively low and rather stable over the last 4-5 years (approximately, 3%, on average), while the level of financial corrections implemented over the last 5 years amounts to 2.8% of the payments (i.e. on average 317.3 million € annually). With the annual overall cost of controls estimated at 0.23 % of the payments, DG EMPL generally considers the intensity of controls appropriate and cost-effective.

However, the error rate is still above 2% and further improvement is therefore needed. The only cost-effective way to get to or below the 2% threshold is to strongly increase the share of the ESF reimbursed through simplified cost options.

The implementation of such costing methods allows decreasing the control effort considerably whilst, at the same time, keeping a high level of assurance on the legality, regularity and eligibility of the expenditure declared, reducing the administrative burden on the beneficiaries and improving the focus on results. This is also the main reason why DG EMPL has been investing a great deal of resources and effort on the promotion of simplified cost options. (see reply to question 15).

DG EMPL quantifies the costs of the resources and inputs required for carrying out the controls and estimates, in so far as possible, their benefits in terms of the amount of errors and irregularities prevented, detected and corrected by these controls. When adding the annual overall Commission cost estimated at 0.23 % to the cost at the level of the MS assessed to be around 4.8 % of the ESF 2007-13 programme budgets, the total estimated cost for the management and control of the ESF corresponds to 5 % of the total annual budget.

Overall, during the reporting year the controls carried out by DG EMPL for the management of the budget appropriations were cost efficient. The estimated quantifiable benefits, expressed as the corrections implemented in 2014, exceeds the overall estimated annual cost in a proportion of 12 to 1.

Therefore, DG EMPL is of the opinion that the current intensity of controls is cost effective and that, rather than increasing the number of controls, the focus should be on proactively supporting Member States to fully leverage the significantly enhanced simplification opportunities set out in the 2014-2020 regulatory framework, which would have a very positive impact on the achievement of both the compliance and performance objectives of the ESF.

23. According to DG EMPL's Annual Activity Report for 2014 there has been a significant increase of both ESF operational programmes and interim payments affected by high error rates above the 5 % threshold. The share of OPs with such error rates increased from 18,8 % in 2013 to 22,9 % in 2014, while the share of the interim payments affected were more than doubled reaching 25,2 % in 2014 (in 2013 they amounted to 11,2 %). Having regard to this alarming development where at the end of the programming period the error rates are increasing rather than decreasing:

- In the framework of shared management of ESF how has the Commission addressed and assisted the Member States in order to improve performance and reach an average rate below the current 3,1 %?

Commission's answer:

The increase in the volume of payments in 2014 to OPs with error rate higher than 5 % is mainly due to the Greek and Hungarian programmes. The 4 Greek programmes represent 11 % of the 2014 ESF payments, for which flat error rates of 5 % were provisionally applied on a precautionary basis at the time of the 2014 AAR. This was due to the fact that the Greek authorities, as allowed by the regulations, had grouped all ESF, ERDF and CF operational programmes under one single statistical sample in order to limit the amount of audit work required to produce the 2014 Annual Control Report (ACR) and Audit Opinion for those OPs. Whilst this single statistical sample has produced an overall representative error rate of 1.9 % for all OPs of the three Funds concerned, the specific coverage of the 4 ESF OPs, for which payments in 2014 have totalled nearly €1.1bn (and €3.3bn on a cumulative basis), was limited. Therefore, and taking also into account the different nature and risk factors of the ESF operations, beneficiaries and intermediate bodies for these OPs and the ongoing discussions with the Court at the time of the 2014 AAR concerning their preliminary results for a sample of 2 ESF Greek OPs, DG EMPL decided to take a precautionary position and provisionally apply flat error rates of 5% for the 4 Greek ESF OPs for the purposes of its own 2014 AAR assurance process. Once the abovementioned preliminary results from the Court of Auditors were discussed and clarified at the end of the contradictory procedure, DG EMPL decided to accept the error rate as reported by the Greek Audit Authority in its 2014 ACR, namely 1.9%.

Looking forward, the ESF coverage requirements and other related issues abovementioned have also been discussed and addressed in close cooperation with the Greek authorities in order to solve them in 2015, in particular in view of the need to achieve sufficient audit assurance for the declarations to be provided at closure for each operational programme. Similar issues are being addressed in a limited number of other OPs which have being covered by the relevant Audit Authorities under joint statistical samples in order to ensure sufficient coverage for those OPs at closure.

The Hungarian programme represents 8.5 % of the 2014 ESF payments for which a 5 % flat error rate has also been applied on the basis of a national audit report indicating a potential systemic issue at the level of the selection of projects in the MA.

The actions the Commission did to help the Member States in order to improve performance and reach an average error rate below the current 3% are amongst other the following:

- Strongly promote the effective implementation of Simplified cost options by Member States, with a particular focus on those facing recurring high error rates

- Specific action plans for some MS (ES, IT, RO, GR, among others), whose effective implementation has been closely followed up by DG EMPL

- Guidance notes and capacity building seminars related to management verifications.

➢ What additional measures have been taken in order to avoid future flat rate corrections on the four Greek ESF operational programmes due to inconsistency and flows in the audit sampling carried out on national level?

Commission's answer:

In order to address the issue of coverage of audits of operations in Greece, in February 2015 an agreement was reached between the national Audit Authority and DG EMPL to raise the coverage as of 2015.

In order to avoid future problems to obtain the required assurance for ESF, the Greek Audit Authority was requested to change its audit strategy. From 2015 onwards, a stratified audit sampling strategy has been implemented with a separate stratum per Fund, thus increasing significantly the audit coverage for ESF at national level.

Also, it should be noted that the Commission has taken immediate mitigating measures to address the issues identified by the Court, which concerned advances paid in the context of State Aid for certain research projects that did not fulfil the requirements to be certified to the Commission set out in the Structural Funds regulations and also issues concerning certain projects related to the implementation of the Public Works Scheme in Greece which were transferred from the Human Resources Development Operational Programme, where they were originally approved, to the Administrative Reform Operational Programme (AROP), where the Court challenged the lack of alignment between the objectives of those projects and those of AROP. From the beginning of 2015, all payments for the Greek ESF OPs have been stopped. Only after the withdrawal by the Greek authorities of all the unlawful State Aid advances for research projects, and a commitment to exclude new expenditure concerning transferred Public Work Scheme projects to the Administrative Reform OP, ESF interim payments have been resumed.

24. What are the main sources of errors for the ESF in 2014?

Commission's answer:

As in previous years, the main sources of errors are the following: the inclusion of ineligible expenditure in the beneficiaries' cost declarations, infringements of public procurement rules and/or the selection of ineligible projects.

The Court states that ineligible expenditure is the main source of error for DG EMPL. These cases account for 60% of all quantifiable errors. The most common types of eligibility issues detected are the following: expenditure declared outside the eligibility period (CZ, DE), overcharged salaries (DE, FI, PL, PT), costs not related to the project (NL, PL, PT), non-compliance with national eligibility rules (PL) and revenue not deducted (AT). Furthermore, the Court identified certain projects that it deemed to be ineligible (EL, see reply to question 23).

Breaches of public procurement count for 25% of all quantifiable errors. The most common examples of failures to comply with public procurement rules are the following: unjustified direct award (DE, IT), unjustified direct award of additional works/services, unlawful exclusion of bidders, conflict of interest and discriminatory selection criteria (FI).

The non-quantifiable errors consist of a series of formal issues with no impact on the EU budget (Member States not reimbursing beneficiaries on time, unjustified payment of State aid advances to Member States, late payment to beneficiaries, contract award notice sent late or not send at all, infringements of state aid rules).

25. Could you explain briefly what DG EMPL is doing to prevent and correct errors and what is the potential corrective impact of these actions in % of the expenditure?

Commission's answer:

DG EMPL has taken specific actions in order to mitigate the risks identified in question 24, which include in particular preventive and corrective measures such as guidance, training, simplification, a strict policy on interruptions and suspensions of payments and the timely implementation of financial corrections, when necessary. DG EMPL is also addressing this risk by actively promoting the use of simplified cost options by the Member States and by insisting on the importance of first level checks by the Member States.

Furthermore, DG EMPL updates on an annual basis its audit plan in order to address the most significant risks identified and to audit-on-the spot the most risky programmes and Member States. DG EMPL's internal control strategy foresees the implementation of further controls during subsequent years aimed to detect and correct errors. It is not possible to identify the specific errors and amounts which will be effectively corrected in the coming years, yet the implementation of these corrective actions since 2009 have resulted on average in recoveries and financial corrections representing EUR 317.3 million or 2.8% of the average payments over the same period. This provides the best available indication of the corrective capacity of the ex-post controls systems implemented by the DG.

26. The most likely error rate in the area "economic, social and territorial cohesion" stood at 3,7% in 2014. However, the error rate could have been 3,2% lower had Member States used all the information available to them. Why do first-level-checks not improve? What is the Commission's reaction?

Commission's answer:

Please note that the most likely error rate stood at 3.7% for the employment and social affairs policy area. The Court has pointed out that the ESF error rate could have been reduced by 3.2 percentage points if checks at Member State level would have been reliable.

The Commission has noted the observations made by the Court in this regard. The Commission is strictly following up these cases and agrees that sound and timely management verifications must be in place in order to prevent irregularities occurring in the first place or being included in payment claims. The Member States must, under shared management, discharge their obligations correctly.

For that reason, the Commission is carrying out since 2010 targeted audits on management verifications of high risk programmes where it has identified that deficiencies could remain undetected or not timely detected by the programme audit authority. For DG Regional and Urban Policy and DG Employment, Social Affairs and Inclusion, results of these audits conducted up to 2014 are presented in their
respective 2014 annual activity reports (see pages 50 and 56, respectively). As a follow-up to the 2013 Discharge recommendation, a report on management verifications in the field of Regional and urban policy has been transmitted to the CONT chair.

As soon as serious deficiencies in management verifications are identified, the Commission services interrupt or suspend payments until problems are fixed and financial necessary corrections made.

On the preventive side, many actions are taken to help managing authorities improve in this area: guidance, training, exchange of good practices, submission of standard checklists on complex areas such as public procurement and state aid, capacity building actions.

The Commission also refers to the reinforced procedures in the regulatory framework for the 2014-2020 programming period, where management verifications and controls (including on-the-spot checks) will have to be carried out on time for the certification to the Commission of programme accounts and submission of management declarations by the managing authorities on an annual basis.

Audit Authorities will have to estimate reliable residual levels of error in the accounts as a result of all verifications, controls and corrections made since the end of the accounting year. The Commission considers that these reinforced control procedures will result in lasting reductions of the error rate, in particular taking into account the deterrent effect of the possibility to implement net financial corrections by the Commission in the event of serious deficiencies identified by the Commission after the submission of the annual accounts and not corrected by the Member State concerned.

Furthermore, the Commission has developed new guidance in order to further strengthen the reliability of management verifications in the 2014-2020 programming period. This guidance, which draws on the lessons learned from the previous programming period has been presented to Member States and was published in July 2015.

Interruptions, suspensions and corrections

27. At the end of 2014 11 OPs are suspended and there was a standing interruption of payments under 12 OPs amounting to a total of EUR 847,86 million. By the end of March 2015 just nine months before the end of the financial implementation of the 2007 – 2013 programming period (where according to the AAR 9 months is DG EMPL's average time to lift interruption of payments) additional payments for EUR 1 390,62 million under 17 OPs have been interrupted. In this regard:

- How does this situation affect the overall ESF absorption rate for the past programming period?

Commission's answer:

Interruption or suspension procedures relate to the reimbursement of the Member States payment requests by the Commission, which include already paid expenditure by the beneficiaries. Therefore, the consequences of those procedures might lead to a liquidity or cash problem for the MS, but should not lead directly to absorption problems. At this stage of the programming period (close to the end of the eligibility period), MS should have taken all the measures to ensure the best rate of absorption through the award of contracts or grants. Therefore, the fact that some payments are currently interrupted from the Commission to the Member States should not have an impact on the execution on the ground. Interruptions and suspensions of payments do not have an impact on the de-commitment risk either as Member States can continue to send payment claims under interrupted/suspended programmes and these are counted in the calculation of the de-commitments.

- What is the effect from the corrective measures applied by the Commission services on the technical implementation of the OPs especially in Member States with high unemployment and youth unemployment rates such as Italy and Spain?

Commission's answer:

As explained above, interruptions and suspensions of payments concern the payment flow between the Commission (EU budget) and the Member States' authorities (national / regional budget) and therefore do not a priori affect the implementation of the programme and projects, their objectives and beneficiaries. However, in a limited number of cases where payments to programmes have been suspended for a long time, cash flow problems may have occurred with an impact on implementation. This underlines the importance for the responsible authorities to promptly react to the Commission decisions by addressing the identified problems and providing the necessary assurance about the proper management of EU funds.

28. How many operations where subject to corrections by the Commission as a result of not achieving the goal objectives (in terms of achievement) foreseen in the programme/project?

Commission's answer:

Member States monitor implementation throughout the life of the projects. It is, however, only at the stage of the closure of the programmes in 2017 that the performance of projects financed by Operational Programmes will be finally evaluated and reported to the Commission.

Under shared management, it is for Member States to ensure that projects deliver results and that appropriate action in line with grant agreements or contracts specifications are applied.

More specifically, according to Closure Guidelines, "at the time of the submission of the closure documents, Member States have to ensure that all projects included in the programme closure are functioning, meaning completed and in use".

The Commission will monitor at closure stage with the concerned programmes authorities that the investments achieve their goal objectives foreseen in the programme, which is a condition for the eligibility of the corresponding expenditure at that time. For example, unfinished projects will be closely monitored, as shown in the 2000-2006 programmes.

Performance evaluation of programmes has been further reinforced for the 2014-2020 period. As foreseen in the regulatory framework (Article 22(6) and (7) of Regulation (EU) N° 1303/2013), the Commission will be able to sanction Member States in case of serious underachievement at priority axis level, as a result of the performance review (Article 22(6) of Regulation (EU) 1303/2013 and at closure (Article 22(7)).

29. In 2014, for ESF, the Commission sent 11 warning letters and 18 pre-suspension letters; it decided 31 interruptions of payments and suspended 11 operational programmes. In total, EUR 1,3 billion of payment claims were interrupted. What is the current situation with regard to the suspended programmes and suspended payments?

Commission's answer:

The main reasons for interruptions of payments and/or suspensions of operational programmes are linked to deficiencies in the Member States' management verifications, deficiencies in the process to select the funded operations, absence or insufficient audit trail to the expenditure or unreliable error rates reported in the Annual Control Reports.

Besides the inherent risks related to the complexity of the rules, root causes of errors lie among others in complex management structures in some Member States, high staff turnover in some authorities leading to a loss of expertise or insufficient staff allocation (sometimes explained by a difficult budgetary situation).

Currently 21 ESF OPs are under reservation, down from 36 in the 2014 AAR. For 13 of the 36 OPs under reservation, no new procedures were launched in 2015 as the programmes were already interrupted and/or suspended.

For 17 OPs in reservation, DG EMPL interrupted payments from the beginning of the year 2015. In addition, 3 warning and 16 pre-suspensions letters were sent and 9 suspension decisions were adopted. During the course of 2015, 15 reservations have been lifted and payments for them resumed after receiving sufficient assurance about the functioning of the Management and Control System of the programmes and/or the implementation of financial corrections where required.

The remaining 21 reservations are still open. For these, 16 operational programmes are suspended, out of which 1 partially, 1 is pre-suspended and for 3 OPs warning letters have been sent. For 1 OP, no ISFC procedure had to be launched as no further payments can be made until closure (95% ceiling reached) and the Member State's authorities are actively working to address the identified problems.

Management and control systems

30. What is the Commission's appreciation of the financial corrections reported by certifying authorities in the Member States?

Commission's answer:

In general, the Member States' reporting of financial corrections can be relied upon. The Commission performs audits to obtain assurance that the information reported by the MS is reliable, as this information is used for the calculation of the Cumulative Residual Risk (CRR) and therefore contributes to the Director General's assurance declaration.

The 14 missions performed by DG EMPL in 2014 covered more than 80 % of the amounts reported by Member States. From the 14 missions, some minor issues were identified (concerning the reporting of withdrawals and recoveries, concerning insufficient or lacking documentation and some weaknesses in the relevant procedures). These identified issues have been corrected by the Member States and DG EMPL considers that the data provided by the certifying authorities can be assessed as reliable,

DG Regional and Urban policy carried out 12 missions in view of the assurance in its 2014 Annual Activity Report, four of which were joint audits with DG Employment, Social Affairs and Inclusion. Since 2011, the Directorate-General's audits on recoveries have covered 16 Member States and 63 ERDF/Cohesion Fund programmes. The preliminary conclusions show that the reporting on financial corrections is considered reliable for five Member States, while for the remaining seven Member States deficiencies that require adjustments in the reporting on financial corrections were identified.

These adjustments are in the process of being implemented or have led to adjusted statements already submitted to the Commission on time for the calculation of the cumulative residual risk for 2014. (see DG Regional and Urban policy's AAR, p. 52).

In addition, in 2014-2015, DG REGIO carried out an exhaustive desk evaluation of all cumulative reported data on financial corrections for ERDF/CF. As a result, 23% of data reported were not used for the purpose of the calculation of the CRR in the 2014 AAR (see page 59).

31. The Commission claims to put in place specific action plans for Member States with persisting problems in the management and control systems. Which are the countries and what do the action plans look like?

Commission's answer:

There are no good and bad Member States or programmes. There can be deficiencies in the programmes' implementation at different moments of a programming period. The time of their occurrence can depend for example on misinterpretation of the rules (often at the beginning of a programming period) but also on legislative changes and related interpretations both on EU and national level once the programming period advances. Number and experience of staff in the national authorities has also a major impact on the timing and occurrence of deficiencies.

During the 2007-2013 programming period there were risks identified and action plans issued covering the majority of Member States and many of the programmes. Information about the programmes and Member States concerned is available in each year's Annual Activity Report of the Directorate Generals, in the parts describing the reservations. The programmes and Member States often differ from year to year.

In case the Commission has information about significant deficiencies in a particular programme, it issues and follows the implementation of targeted action plans

The decision to issue such action plans can be based on the Commission's own work (monitoring of implementation or audits) or on information coming from the national authorities, OLAF investigations or Court of Auditors' audits. Any action plan contains two main parts:

- Correction of the irregularities identified in the past expenditure, and
- Improvement of the management and control systems so that the irregularities which occurred in the past do not occur in the future expenditure.

Action plans are used once deficiencies occur. The Commission is, however, taking actions to prevent such deficiencies from occurring. These actions include the provision of guidelines, general training for all Member States as well as specific training for specific Member States and/or programmes.

The negotiations for the programming period 2014-2020 were also used an opportunity to improve programme implementation systems for example by reducing the number and levels of implementing intermediary bodies, and therefore reducing the risk of error.

In order to better assess fraud risks and deploy human resources in a more efficient and effective way Member States were invited to apply the risk scoring tool Arachne. So far, 20 Member States are using Arachne in a test-phase. Ireland, Sweden and Austria have received detailed presentations of the Arachne tool and are reflecting upon its use. Lithuania and Finland still need to be visited in the framework of the presentation of the tool. Germany, Luxemburg and Greece decided not to use Arachne.

The following examples represent measures taken by DG EMPL to address deficiencies in specific Member States:

Considering the important and recurring number of reservations related to the Spanish programmes, an action plan towards the Spanish ESF implementing authorities was launched in 2011, in particular to stimulate the full use of all simplification opportunities offered by the EU regulation and to remove unnecessarily more stringent national eligibility rules ("gold plating"). This has already produced some positive developments, such as the effective utilisation of simplified cost options in certain OPs such as Andalucía and Galicia and the revision of certain unnecessarily complex national eligibility rules that had resulted in recurring errors and financial corrections. A working group composed of audit staff and geographical desk officers was created to monitor the effective implementation of the agreed actions. Additionally, seminars on State Aid, simplified cost options and anti-fraud were organised in 2014 (and an additional one on closure 2007-2013 in October 2015). Andalucía authorities were strongly encouraged to use Arachne, a data-mining IT system developed by the Commission in order to support MS in their antifraud activities, which they agreed to, and the implementation of the tool is on-going with the assistance of DG EMPL audit and IT staff. In addition, Andalucía has decided to create an anti-fraud office.

Similar activities have been undertaken in Italy where seminars on simplified costs and an anti-fraud were organised in 2014 and 2015 in cooperation with the national authorities.

In order to address the root causes of the recurring problems identified in Romania, DG EMPL is working together with the national authorities to strengthen their management and control systems and closely following up on the implementation of the agreed action plan. DG EMPL is also supporting the Romanian authorities in the implementation of simplification and the use of Arachne.

Concerning Greece, further to a Commission audit on the Human Resource Development OP, the GR authorities have been requested to put in place an action plan for the Call for Structural Adjustment Plans, implemented by the Intermediate Body OAED. This action plan included a complete review of all already declared expenditure, identifying the necessary corrections and withdrawals, as well as strengthening management verifications for future expenditure.

Concerning problems identified in Scotland, the Scottish authorities have been requested to implement an action plan focussing on steps to(i) improve the functioning of the management and control systems and make the necessary financial corrections, and (ii) implement corrective measures. Furthermore, the Scottish authorities now organise pre-visits in order to ensure that beneficiaries are prepared for subsequent audit work and also a framework was established around which the managing and audit authorities will focus during the 2015 audits of operations.

32. Could CONT please receive a table, similar to the one which can be found in the annex 7B of DG REGIO's annual activity report (number, reference, title, reserve AAR 2014, payments 2014, MS error rate 2013 in ACR 2014, validated error rate), specifying the communicated and corrected error rates in Member States annual control reports?

Commission's answer:

Similar information is available in Annex 10 – G of the 2014 EMPL Annual Activity Report (pages 142-146).

33. The number of OPs subject to reservation remained unchanged: 36 OPs for ESF. However, the estimated financial impact of these reservations increased from EUR 123,2 million in 2013 to EUR 169,4 million in 2014. How does the Commission evaluate this increase?

Commission's answer:

The higher level of quantification in 2014 is due to the reservations made for the 4 Greek and 1 Hungarian OPs for which payments made in 2014 were high (1.1 bn for Greek OPs and 0.8 bn for the Hungarian OP). The risk for these 5 OPs was quantified applying a 5% flat error rate (provisionally in the case of the 4 Greek OPs – see reply to Question 24).

34. In 2013 11 programmes were under reservation in Spain. Only 2 of these reservations were lifted in 2014. Why did the Commission and Spain not achieve greater progress?

Commission's answer:

Spain has made some progress during the last months, but it has to be underlined that in order to lift a reservation, not only formal corrective and preventive measures are required but also their effectiveness must be proved. This usually requires an agreement on an action plan (a set of preventive and/or corrective measures) to tackle the deficiencies and irregularities concerned and their practical implementation. Moreover, new expenditure needs to be generated under the improved system, so the effectiveness of the measures undertaken can be tested.

The Commission closely monitors all these stages and ensures that they are carried out in a timely manner. However, the complexity of the institutional set-up of Spain, often including several levels of management (national, regional and the body granting the aid), and the seriousness of the deficiencies, might in a number of cases entail a long timeframe before all these conditions are met.

End November 2015, out of 22 Operational Programmes for Spain for the period 2007-2013, 7 OPs are still suspended, two of which only partially.

DG EMPL has closely worked together with the Spanish authorities over the past years in order to leverage the simplification opportunities in the 2007-2013 programming period and to remove certain instances of "gold plating" concerning unnecessary complexity of certain national rules which have resulted in the past in recurring errors and triggered a significant number of interruptions and suspensions. Numerous capacity building initiatives have also taken place, including seminars on State aid, anti-fraud and preparation for closure of the 2007-2013 programming period and follow up meetings in order to assess the effective implementation of the agreed action plans and financial corrections (if required).

Looking forward, DG EMPL is actively promoting the effective implementation of simplified cost options in the Spanish OPs through actions such as the organization of a new simplification seminar in order to seize the significantly enhanced simplification opportunities set out in the 2014-2020 regulatory framework.

35. The ECA says that beneficiaries have to wait too long to get the money the national authorities have received from the Commission to finance the projects. What are you doing to improve the situation?

Commission's answer:

The Commission would like to underline that the Court found this situation in only a very limited number of audited Member States (Italy, France and The Netherlands).

Even if the Regulations for the 2007-2013 period do not provide a legal basis for imposing financial corrections, the Commission auditors were and are still verifying if there are any unjustified delays of payments to beneficiaries. In such cases, audit recommendations are formulated and their implementation is followed with the standard audit procedures.

For the 2014-2020 programming period, the Common Provision Regulation has reinforced the rules, both for the use of the pre-financing (article 82.1) and for the payment to beneficiaries (article 132.1).

Thus, for the first time in Cohesion policy, the Regulation prescribes a deadline (90 days) for payments to be made to beneficiaries.

Auditors will control whether Managing Authorities respect the deadline and, when the deadline is not respected, if any of the exceptions applies. In case of disrespect, financial corrections may be applied.

In practice, the delays in the reimbursement of expenditure are often due to burdensome procedures for assessing and verifying expenditure paid by beneficiaries. Also here the use of SCOs can considerably simplify these procedures because in those cases the reimbursement is made on the basis of objective conditions.

Youth guarantee and the Youth Employment Initiative

36. In April, 2013 the Council adopted a Recommendation establishing a Youth Guarantee in response to the rising levels of youth unemployment in many Member States. From 2014 – 2020, the scheme will be partly financed to a told of €12.7 billion from the EU budget through the ESF and a dedicated Youth Employment Initiative.

Taking into account the agreement reached on the 2016 Budget which includes a joint statement on the Youth Employment Initiative (YEI) stating that "In the framework of the MFF mid-term review/revision the Commission will draw lessons from the results of the YEI evaluation, accompanied, as appropriate, by proposals for the continuation of the initiative until 2020".

- How does the Commissioner intend to ensure that the issues raised by the ECA are fully addressed?

Commission's answer:

In its Special Report n°3/2015 entitled "EU Youth Guarantee: first steps taken but implementation risks ahead", the Court identified three main risks relating to the implementation of the Youth Guarantee. For each of them, the Commission took specific actions.

On the risk that total funding may be inadequate (recommendation 1) the Commission notes that significant EU financial support is available. Beyond the 12.7 billion euro for Youth Guarantee schemes referred to in the Court report, in the 2014-2020 period 11 billion Euro from the ESF will be invested in measures such as modernising labour market systems and self- employment, while 26 billion euro are expected to be invested in education systems. Moreover, in a number of Member States, the financial resources of the ESF and the YEI are not as substantial as in other Member States. Therefore, the investment of national resources in implementing the reforms is crucial. These should be prioritised in national budgets.

On the lack of definition of a good quality offer (recommendation 2) the Commission agrees with the Court on the importance of the "good-quality" nature of YG offers. The Commission monitors the quality of employment in the European Semester, with particular attention being paid to school-to-work transitions and issues related to labour market segmentation. The Commission is also monitoring the implementation of the Quality Framework on Traineeships, setting common quality standards for traineeships. The Commission furthermore promotes good-quality apprenticeships through the European Alliance for Apprenticeships.

On the Youth Guarantee monitoring and reporting framework (recommendation 3) the Commission draws on the Indicators Framework developed by the Employment Committee for this purpose. The first regular data collection exercise started in June 2015. The Commission has further committed to report to the European Parliament and the Council on the Youth Guarantee implementation in 2016. The Commission is also monitoring the implementation of the Youth

Guarantee in the framework of the European Semester and multilateral surveillance. In any case, the primary responsibility for national implementation lies with the Member States. The Commission will work closely with them and support them both technically and financially.

As regards the resources of the Youth Employment Initiative (YEI), there are specific provisions on monitoring and evaluation of the YEI in the ESF Regulation. These concern e.g. annual reporting by the Member States and the obligation to carry out at least two evaluations on the YEI until 2020. The ESF Regulation includes specific result indicators for the YEI, including longer-term ones, which are intended to enhance the result orientation of YEI actions. Moreover, the Commission has published guidance on implementing the Youth Employment Initiative. This guidance should help the Member States to design the specific measures and provide individualised services taking into account the needs of the young people. This guidance is publicly available: http://ec.europa.eu/esf/BlobServlet?docId=457&langId=en

DG EMPL has also launched a study on YEI implementation in 2015, which will also cover the first Member States' evaluations expected by the end of 2015. The study will focus, inter alia, on a selected number of YEI-eligible Member States and outline the key/flagship actions supported directly by YEI. It will also evaluate the relevant ESF support beyond YEI to the investment priority on young persons' integration into the labour market. The final results of the study are expected in summer 2016.

- Would the Commissioner agree that we need to focus on results based policy making – and that before we commit ourselves to continuing this or any initiative beyond 2020 we need to know the money we have already spend has been effective?

Commission's answer:

The Commission would indeed agree to such statement and has put in place the necessary tools to monitor the performance of such initiative.

As regards the Youth Guarantee (YG), in October 2016, the Commission will present a comprehensive report on the implementation of the YG requested by the June 2013 European Council. In addition, the Commission will continue monitoring the implementation of the YG through regular data collection under the Indicator Framework. The first results are expected to be available for late 2015 and will feed into the Commission's assessment of the YG under future European Semesters.

As regards the Youth Employment Initiative (YEI), the Commission has launched a study on the progress in YEI implementation and more information will be available once MS have submitted the first YEI evaluations by the end of the year. The Commission will tackle the remaining hurdles to YEI implementation by helping MS to set-up and design the management structures of the OPs in MS; ensure a smooth submission of payments to the Commission; allocate sufficient administrative and human resources to key services and structures implementing YEI actions. The Commission will look at the possibility to extend the YEI after 2016 beyond the current budget of this instrument. The possibility to revise upwards the resources of the YEI after 2016 is laid down in the ESF regulation for the 2014-2020 programming period. The ultimate decision will be taken by the EU co-legislators in light of the availability of the EU funding and progress of its implementation on the ground.

Moreover, in its guidance on YEI support, which is publicly available: http://ec.europa.eu/esf/BlobServlet?docId=457&langId=en and, the Commission states the following: "*From a policy perspective, the objective is to ensure that YEI provides good quality offers, i.e. packages of interventions (e.g. job counselling, an apprenticeship and a VET qualification course) that would facilitate the person's transition to the labour market, by achieving the targets set under the result indicators as listed in Annex II of the ESF Regulation. Respectively, Member States should ensure adequate financial support per person targeted. It should be noted that clearly, in no MS would the YEI resources alone be sufficient to provide a Youth Guarantee offer to each and every young person NEET*."

- How does the Commissioner intend to assess the impact of the initiative in real terms i.e approximately how many young people have received a good-quality offer of employment, continued education, an apprenticeship or traineeship within four months of leaving formal education or becoming unemployed?

Commission's answer:

Regarding the Youth Guarantee (YG), the first data collection on YG schemes has taken place until September, on the basis of the Indicator Framework endorsed by the Employment Committee in June 2015. Covering the year 2014, it will provide, among others, indications on the share of young people receiving offers as well as timeliness of delivery. The second round of data collection (covering the year 2015) will be launched in the first half of 2016.

This data will inform the Commission report on the implementation of the Youth Guarantee and the operation of the YEI in autumn 2016, at the request of the June 2013 European Council. The report will assess progress in implementation whilst highlighting successful practices and challenges and possible impact.

Regarding the Youth Employment Initiative (YEI) , there are specific provisions on monitoring and evaluation of the YEI in the ESF Regulation to ensure the quality of investment. These concern e.g. annual reporting by the Member States and the obligation to carry out at least two evaluations on the YEI until 2020. The ESF Regulation includes specific result indicators for the YEI, including longer-term ones, which demonstrate a direct and real change in the labour market and education status of the participant and are intended to enhance the result orientation of YEI actions. Moreover, the Commission has published guidance on implementing the Youth Employment Initiative, which is publicly available: http://ec.europa.eu/esf/BlobServlet?docId=457&langId=en. This guidance should help Member States to design specific measures and provide individualised services and in the end contribute to ensuring high quality and sustainability of the intervention with regard to the person's specific needs.

Finally, structured data reports on YEI implementation have been submitted by the Member States for all adopted OPs for YEI in April-June 2015:

- In terms of participation, 110 300 unemployed young people participated in YEI actions in 2014; 1,3 billion euros are already allocated to projects on the ground.
- The results reported for 2014 are limited but are broadly commensurate with the Commission's estimates in relation to the OP targets and the available (1-1.5%) pre-financing in 2014. They are encouraging first results of the YEI on the ground.
- The reports indicate that in 2015 significant measures are being mobilised and young people are receiving services and support. This reflects the expectation of the 30% pre-financing increase, which will allow for additional financial liquidity disbursed to projects.

37. What are the 3 best performing member states and the 3 worst performing member states on the absorption of the Youth Employment Initiative in 2014? What were the main challenges for the implementation of the YEI in 2014? Did the increase of the pre-financing for the YEI improved its efficiency and how?

Commission's answer:

Based on the structured data reports received last April which cover the year 2014, in terms of participation, at least 110,000 unemployed young people participated in YEI actions in 2014 and 1.3 billion Euros have already been allocated to projects on the ground. Although still somewhat limited, these results are broadly commensurate with i.a. the low pre-financing levels in 2014 (1-1.5%).

The reports indicate that in 2015 significant resources are being mobilised and young people are receiving services and support. This reflects the expectation of the 30% pre-financing increase, which will allow for additional financial liquidity disbursed to projects.

The peak of YEI implementation, i.e. in terms of both financial progress and results in relation to the participants, is expected to take place in 2016-18 and to:

- help 3.1 million unemployed or inactive participants complete a YEI project;
- help 1.6 million unemployed or inactive participants receive an offer of

employment, continued education, apprenticeship or traineeship once the YEI support has ended;

- support 1.3 million unemployed or inactive participants to take part in education/training, gain a qualification, or find employment, including self-employment.

The key challenge now in terms of absorption is for the Member States to notify to the Commission the designated authorities for implementing the programmes. For the programmes containing YEI this is essential in order to allow for payments to be made. Of course the process also depends on how quickly the Member States incur the expenditure on the ground.

At the moment, only four member States have designated the authorities in relation to programmes containing YEI: Bulgaria, Latvia, Portugal and Greece.

In terms of absorption, i.e. payment claims sent by the Member State and reimbursed by the Commission, only one claim, by Portugal, has been sent and reimbursed: worth EUR 21 million. Another payment claim, for around EUR 45 million, also by Portugal, is in the process of being reimbursed. Greece is also expected to send payment claims in relation to YEI in the coming weeks.

Notably, Italy and France whose YEI-dedicated operational programmes have been the first to be adopted and where actions are ongoing on the ground, have not yet completed the designation of authorities for these programmes. Spain, the largest YEI beneficiary, faces a similar situation. This illustrates the challenge for these Member States to absorb the increased pre-financing payments for YEI they received last May.

The Commission is in close cooperation with the Member States in this process but it is to a large extent a matter of national decision on how to organise the ESF and YEI management systems.

38. The Youth Guarantee instrument involves multinational temporary employment agencies as intermediate instruments for the selection of young workers. Temporary employment agencies receive up to EUR 3,000 per contract signed. Certain amounts are also awarded for the mere registration of young people to the agencies, way before a concrete job proposal. May the Commission provide information and explanations about this? How many funds were handed out for the Youth Guarantee fund in 2014? How many young people received assistance by the fund? What is the amount granted to the temporary employment agencies?

Commission's answer:

The European Commission supports the Network of Public Employment Services (PES), established under the Decision on enhanced cooperation between Public Employment Services (No 573/2014/EU). This specifies that the Network should cooperate with other providers of employment services.

The Council Recommendation on establishing a Youth Guarantee also identifies partnership-based approaches as one of the building blocks of Youth Guarantee schemes and recommends Member States to develop partnerships between public and private employment services, education and training institutions, career guidance services and with other specialised youth services (non-governmental organisations, youth centres and associations) that help smooth the transition from unemployment, inactivity or education into work.

The Recommendation further stipulates that Member States should monitor and evaluate all measures under YG schemes, so that more evidence-based policies and interventions can be developed on the basis of what works, where and why, thus ensuring efficient use of resources and positive returns on investment. The Commission, on its side, monitors implementation of the YG in the framework of the European Semester.

As requested by the European Council, the Commission will report on the results of the YG and YEI implementation in 2016.

39. Often the final recipients of the ESF in Italy are reimbursed much later than the payment by the Commission. The Lazio region did not reimburse legitimately sustainable expenses financed by Youth Guarantee fund, due to its tight budget, damaging the companies that are using the instrument. What control systems were put in place by the European Commission to overcome this problem?

Commission's answer:

In general, for the rules governing payments to beneficiaries in the 2014-2020 programming period, please see reply to question n. 36.

The Commission is aware of the difficult start of the Youth guarantee scheme in the Lazio region, with indeed some delays in the payment to participants. The Commission contacted several times the Italian authorities and understands according to the information provided that the situation has stabilized.

It is also important to recall that the management of the ESF and YEI is based on the principle of shared management, which means that the general guidelines are drafted at EU level, while implementation on the ground, including first level controls, is the responsibility of the competent national or regional authorities in Member States.

The Commission regularly monitors the implementation of programmes co-financed with EU funds in collaboration with the European Court of Auditors and the Member States' audit authorities. Where abuses of management and control systems or irregularities are detected, the Commission applies the procedures provided for in the regulations in order to safeguard the EU budget.

40. In the Annual Activity Report of 2014, DG EMPL predicts that the youth unemployment rate will not decrease as much as expected. The aim to reduce youth

unemployment under 12% seems unrealistic. What is the consequence for the work of the DG EMPL? Which measures will be designed and what impact does the Commission expect by the Youth Guarantee?

Commission's answer:

The rate of youth unemployment (number of unemployed persons aged 15-24 as a share of the labour force of the same age) and the rate of those young people neither in employment, nor in education and training (NEETs, percentage of the population of the 15-24 age group who is "NEET" over the entire population of that group) have been decreasing substantially at EU level over the last years, reaching 22.2% and 12.5% respectively in 2014 (annual figures), with further improvements in 2015. In this context, a 12% ***NEETs rate*** in 2015 (and not youth unemployment) as stated p. 11 of the AAR 2014 does not appear unrealistic.

It the autumn 2016, the Commission will publish a report on the Implementation of the Youth Guarantee (and the operation of the YEI), at the request of the June 2013 European Council. The report will assess progress in implementation whilst highlighting successful practices and challenges and possible impact.

The Youth Guarantee can yield impact at various levels.

- First, it provides an impetus for structural reforms in a number of areas, including the modernisation of public employment services, education and vocational training. This is already the case, as highlighted in the 2015 Joint Employment Report.
- The comprehensive implementation of the Youth Guarantee, in line with the Recommendation, has the potential to lead to an overall improvement of young people's situation (among others in terms of NEETs and youth unemployment rates).
- In this context, it is important to look at intermediary outcomes, such as a possible increase in the number of NEETs registered with the PES and other Youth Guarantee providers. This is a pre-condition for effective school-to-work transition, and there are indications that this is taking place in a number of countries.

41. The Youth Employment Initiative (YEI) operates under a total budget of 6.4nb euro for 2014-2020 with the sole purpose to improve employability of young people under the age of 25.

The initiative is a pillar of the Youth Guarantee, which was analysed in ECA's Special Report 03/2015. Some of the main conclusions focused on the slow take-up and problematic implementation by the member states across the EU.

In this regard, what is the progress of the YEI as of October 2015? How well have member states managed the appropriations until now? Are there absorption rates available? What kinds of projects were implemented and what are the outcomes across the EU? What will the Commission do in order to urge member states to implement the YEI?

Commission's answer:

The state of play on the implementation of the YEI is the following:

– All YEI-relevant operational programmes have been adopted by September 2015;
– Increased 2015 pre-financing from the YEI specific budget line has been paid out by 28 May 2015 to all adopted OP containing YEI funding (for the UK England OP it was paid in September 2015);
– Structured data reports on YEI implementation have been submitted by the MS for all the adopted OP for YEI in April-June 2015.
– In terms of participation, 110,300 unemployed young people participated in YEI actions in 2014; 1.3 billion euros are already allocated to projects on the ground.
– The results reported for 2014 are limited but are broadly commensurate with the Commission's estimates in relation to the OP targets and the available (1-1.5%) pre-financing in 2014. They are encouraging first results of the YEI on the ground.
– The reports indicate that in 2015 significant measures are being mobilised and young people are receiving services and support. This reflects the expectation of the 30% pre-financing increase, which will allow for additional financial liquidity disbursed to projects.

Next steps – tackling the remaining hurdles to YEI implementation:

– setting up and designation of the management structures for the OPs by the MS;
– ensuring the functioning of the payment and certification cycle on the ground in view of submission of payment claims to the Commission;
– allocation of sufficient administrative and human resources to key services and structures implementing YEI actions;
– promotion of simplified cost options.

Erasmus+

42. Beneficiaries report on payment problems in the management of Erasmus +: Could you please provide us with the development of the payments and the state of play?

Commission's answer: DG EAC (sk)

As outlined in President Juncker's mission letter to Vice-President Georgieva, the mid-term review will be the occasion to redress the situation of shortfalls in

Payment Appropriations as a result of the direct application of payment ceilings.

As a result of the budget ceilings in the years 2014 and 2015, the payment appropriations for the Erasmus+ Programme have been set to levels below those initially agreed in the 2014-2020 Multi Financial Framework, resulting in shortfalls in 2014 and 2015. However this was mitigated via the following actions:

a) In 2014, additional payment appropriations were received during the very last days of the year (adopted DAB 3/2014 - EUR 138 million for Erasmus+) that were fully implemented via a second pre-financing towards National Agencies in Member States)

b) In 2015, the Erasmus+ Programme has received additional €170m to cover the predicted shortfall via a transfer from other under-executed Commission budget lines.

The global issue of the current profile of the MFF 2014-2020 is the fact that the ceiling of Payment Appropriations does not correspond to the level of Commitment Appropriations taking into account also the final instalments for the previous MFF. The following risks emerge:

- risk of unpaid obligations and a high backlog at the end of the period (committed amounts much higher than PA available):
- risk of non-respect of the Commission's legal obligations notably for activities which run on an annual basis (i.e. activities linked with the academic year for Erasmus+, directly affecting citizens - students and researchers).

In 2014 and 2015, to monitor and mitigate the payment shortages, the Commission has put in place measures for a pro-active management of all the available appropriations: (1) Deficit Reduction Measures (DRMs) implemented (i.e. by reducing the level of pre-financing payments towards beneficiaries (namely National Agencies) and by postponing some call deadlines); (2) DG EAC has also set priorities to optimise the use of available Payment Appropriations.

2016 is expected to represent a return to normality in terms of payment with Erasmus+ being at cruising speed and DRM no longer being necessary. The conclusions of the work of the conciliation committee on the 2016 Budget has resulted in the level of Payment Appropriations proposed, corresponding to the realistic payment forecast for 2016.

The mid-term review of the MFF is the opportunity for the Commission to work with the Budgetary Authority to solve the structural shortage of payment appropriations.

Financial Engineering Instruments (FEI)

43. Extensive use of financial engineering instruments (FEIs) is foreseen in the majority of the new ESF operational programmes. However, in its Special Report “Is EU financial support adequately addressing the needs of micro-entrepreneurs?” the European Court of Auditors found out a number of

discrepancies in the design and implementation of FEIs under the 2007 – 2013 ESF programmes. In one of the cases in Calabria, Italy, the disbursement to micro-entrepreneurs by the end of 2013 was actually at 0%. In this regard:

- What measures will the Commission take to prevent over-commitment of funding from ESF programmes to FEIs?

<u>Commission's answer:</u>

The mentioned Court's audit concerned ESF financial instruments which were funded under the 2007-2013 programming period. During that period, ex-ante assessment was not a legal requirement to finance a financial instrument which explains why micro-entrepreneurs were not always specifically targeted. It should also be noted that for the other guarantee fund in Calabria audited by the Court, 32% of the funding targeted micro-entrepreneurs.

Overall, for the programming period 2014-2020 the ESF is set to contribute with nearly Euro 865 million in at least 12 Member States. This corresponds to almost a doubling if compared to the past programming period.

For the 2014–2020 programming period, the regulatory framework will ensure that each financial instrument is based on a compulsory "ex-ante assessment" which has identified market failures or suboptimal investment situations, and investment needs. This will help to also avoid over-commitment of EU funds. Furthermore, the 2014-2020 regulations set out phased applications for interim payments (CPR Art 41) in order to avoid idle funding.

The Commission has already provided guidance and practical methodology on the preparation of the ex-ante assessment and guidance on the set-up and implementation of financial instruments for the new programming period.

- What steps have been taken in regard to the implementation of the recommendations from DG EMPL's Internal Audit Service report "Preparations for use of Financial Instruments"?

<u>Commission's answer:</u>

A budget of the ESF technical assistance has been allocated to establish the common Financial Instruments Technical Advisory Platform (Fi-compass) to support the implementation of the financial instruments throughout 2014-2020, with the European Investment Bank (EIB). This platform will support the Member States and regions willing to implement financial instruments all over the 2014-2020 programing period.

Within this framework, DG EMPL, together with the European Investment Bank, has organised national and regional events in order to spread information and building capacity. Specific trainings for DG EMPL and managing authorities' staff were also organised.

Several guidance documents were delivered to Member States in particular relating to eligibility of working capital, preferential treatment of private investors, management costs and fees.

44. How often were financial engineering instruments (FEI) used in combination with the ESF in 2014? Are FEI a useful instrument in implementing European social policy objectives?

Commission's answer:

By 2014, a total of 53 financial instruments, primarily limited to supporting SMEs, have been implemented across 7 Member States financed by the European Social Fund (ESF) (these figures apply to the programming period 2007-2013 which is still being implemented).

Despite the limited number of ESF financial instruments implemented under the past programming period, a total of 16716 SMEs (out of which 11286 Micro-enterprises) have been reached with a total ESF budget of 472 million €.

Financial engineering instruments can be usefully co-funded by the ESF to support the investment priorities outlined in the ESF Operational Programmes of the Member States. Provided that they address an identified market gap (i.e. areas where banks are unwilling to lend and/or where the private sector is unwilling to invest or finds access to financing difficult) financial instruments can contribute to the achievement of the thematic objectives of the ESF notably: promoting sustainable and quality employment and supporting labour mobility; promoting social inclusion, combating poverty and any discrimination; investing in education, training and vocational training for skills and lifelong learning; and enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

As a good practice in the field of employment, we could refer to the ESF funded Entrepreneurship Promotion Fund (EPF) in Lithuania which offered loans in combination with free training for business start-ups, individual entrepreneurs and social enterprises. Priority is given to disadvantaged groups, i.e. unemployed and disabled people, and those under 29 or over 50. Since 2009, the EPF has promoted self-employment and entrepreneurship to keep people active in business and the labour market, resulting in the creation of almost 2 000 jobs. It illustrates how a combination of free training and loans can address market gaps in the support available to start-ups.

45. The Commission acknowledged that Member States data on the use of FEI are often incomplete and inaccurate. How does the Commission remedy the situation?

Commission's answer:

Regarding the weaknesses identified in the reporting by the Member States and based on experience, the Commission presented in May 2015 to the Member States an updated guidance note on reporting on financial instruments. Furthermore, the Commission has improved its reporting tools. The report issued by the Commission on 1st of October 2015 and prepared on the basis of the 2014 annual implementation reports from Member States acknowledges the improvement in the quality and in the completeness of the data compared to previous years. The few anomalies and inconsistencies identified were signalled to the concerned managing authorities in order to avoid them in the future annual reporting documents.

The new regulatory framework under Art. 46 of the Common Provisions Regulation (CPR) establishes clear rules for reporting on implementation of financial instruments.

The Commission has adopted an implementing act establishing the models to be used when reporting on financial instruments to the Commission and provided clear guidance to Member States in this regard.

46. The Court noted - with regard to the FEI - particular problems in Bulgaria, Greece, Romania, Slovakia and Spain. What are the particular problems and how will they be remedied?

Commission's answer:

The ESF has not financed any financial engineering instrument in these Member States so far. However issues for ERDF-funded financial engineering instruments which were related to low disbursements to final recipients and problems in the management and control systems were identified in these countries.

However the level of implementation of instruments is to be analysed in relation to the timing of the set-up of such instruments. For example, in Bulgaria and Romania, it is to notice that the agreements with financial intermediaries were signed in 2011, 2012 or even only in 2013). This explains an absorption rate which is lower than the average. Thus, an absorption rate lower than the average was to be expected. Nevertheless, the absorption has increased during 2014, reaching 59% in Bulgaria and 78% in Romania.

DG Regional and Urban Policy has set up an internal Task Force for implementation for eight Member States, including the ones mentioned above, having a significantly low rate of financial implementation. The internal Task Force is responsible for drawing up action plans for each Member State concerned (or reviewing and fostering implementation for existing action plans if already in place). It will ensure an exchange of experience and good practice among the countries concerned, so that the actions being undertaken in the various countries to foster implementation including for financial instruments are shared across the countries.

The slow implementation in some financial instruments is the result of three factors: lack of gap assessment (over-allocation as compared to the real market need); use of financial instruments to avoid automatic de-commitment and implementation of financial instruments in the time of financial crisis and risk aversion.

The Commission and the Member States have also undertaken a number of measures to ensure that the remaining investments will reach final recipients on time, including for the five quoted Member States:

- Improving monitoring of performance by managing authorities and encouraging reallocation of amounts from low performing funds to well performing funds;
- Encouraging changes to the instruments and financial products in order to adapt them to changing market conditions;
- For long-term investments in urban development or energy efficiency where payments are made gradually with the progress of the projects, a request for reporting of the investment pipeline.

47. Will the Commission undertake a detailed analysis of the various constraints affecting the implementation of each Financial Instrument?

Commission's answer:

Cohesion policy is implemented under shared management where the implementation of programmes and all the operations under these programmes remain with 28 Member States and their over 200 regions.

The Commission is informed constantly through the monitoring committees, annual implementation and control reports about the difficulties of implementation and/or irregularities identified by the Member States. Regarding financial instruments, the Commission also responds the questions raised by the Member States in order to facilitate the implementation of and also to ensure coherence.

Within the 2014-2020 programming period, the use of financial instruments is made more flexible and targeted, and a single set of rules applies across all ESI Funds. Lessons from the 2007-2013 period were learnt and stricter rules for the implementation of such instruments in 2014-2020 have been introduced, for example: allocations and the strategy for the use of financial instruments will be better targeted based on an obligatory ex-ante assessment for each instrument; payments into instruments will be made in tranches related to performance (no "parking of programme resources"); management costs and fees must be performance oriented; annual reporting will be about the use of resources but also the impact of financial instruments.

In addition, an ex-post evaluation of the Cohesion Policy programmes 2007-2013 is foreseen based on Article 49(3) of the Regulation (EC) 1083/2006. Within this ex-post evaluation, one work-package specifically addresses the efficiency and effectiveness of the financial engineering instruments in the 2007-2013 programming period. The ex-post evaluation shall be completed by 31 December 2015.

Under the Fi-compass advisory platform, the Commission will also provide a full set of guidance, factsheets, case studies and scoping studies with a view to allowing a smooth implementation of financial instruments along the 2014-2020 programming period.

48. Could you please provide the Parliament with an overview of EU-projects in 2014 related to refugees: what was the project about, in which country did it take place and what amount of money was involved respectively?

Commission's answer:

Under the 2014 EU development budget, EU funding related to refugees (not including funding to other migration issues) included support to the Horn of Africa, Afghanistan, Pakistan and Iran as well as Bangladesh and Thailand, for a total of 46 M€.

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With regards to Humanitarian Aid, in 2014 the Commission funded actions related to support to refugees for about 1.239 M€. Circa 653 M€ were allocated to the Middle East and Asia, 500M€ to Africa, 36M€ to the Americas and 50M€ to non-member European countries. The full list of projects funded by the Commission in the field of the Humanitarian Aid is publicly available at the following link:

http://ec.europa.eu/echo/node/2190.

As far as the Neighbourhood policy is concerned, EU funding in 2014 related to refugees (not including funding of other migration issues) included the continued support to UNRWA in Palestine as well as substantial amounts devoted to the mitigation of the consequences of the Syrian crisis. In this respect, frontline countries (Jordan, Lebanon and Turkey) have been strongly supported. It is also worth noting that the European Union Regional Trust Fund in response to the Syrian crisis was established in December 2014, completing the types of instruments to be mobilised in favour of refugees affected by the Syrian crisis.

Funds have been allocated to Syria (61,25 M€), Lebanon (73,33 M€), Jordan (62 M€) and to Palestine (87 M€) under the European Neighbourhood Instrument (ENI). Furthermore, 80 M€ were allocated to Turkey under the Instrument for Pre-accession Assistance (IPA) and the Instrument contributing to Stability and Peace (IcSP).

Regarding the number of refugees/internal displaced people, it is estimated that 5 million people approximately benefitted from EU funds in the field of Neighbourhood policy in 2014.

Inside the EU, the ESF as well as the Asylum, Migration and Integration Fund (AMIF) can help.

Most ESF actions are programmed under the active inclusion objective and include for instance social services, services for families with children and other services of general interest, developing extensive services that strengthen social inclusion particularly from the point of view of the ability to participate in the labour market and improving cross-sectoral and professional cooperation, developing client-centred procedures and services for supporting social inclusion.

However, many actions are also possible under the employment and education objectives.

The actions supported by the ESF under the employment objective include language courses, labour market integration measures such as counselling, gaining in-work experience, recognition of acquired competences, individualised pathways helping persons to participate in the labour market, personalised services and guidance, targeted and tailored training, supporting mothers with a migrant background in entering the labour market with the objective to bring them into sustainable employment ensuring their livelihood, assisting people with a migration background both in getting full recognition of their qualifications obtained abroad and in acquiring an employment position adequate to their educational background.

Under the education objective, measures include the integration of children with a migration background, extra-curricular activities for students, training of teachers and other specialists at schools to be able to support students and their families from third countries, educational support services and counselling for children in order to prevent early school-leaving, developing the basic skills and educational alternatives and promoting participation in education, funding of training alliances between different partners involved in vocational training.

49. European Union Member States are currently exposed to an unprecedented humanitarian crisis. Millions of refugees are currently, or may in the near future be knocking on our door seeking protection from war and political prosecution. In this context the Commission published a communication on 23 September 2015 entitled "Managing the refugee crisis: immediate operational, budgetary and legal measures under the European Agenda on Migration" (COM(2015)490 final), which points out (p. 10) *" Even if the Structural Funds operate with a long-term perspective, they can still be mobilised to help tackle the migration challenge in terms of integration measures like language learning or co-financing key infrastructure including housing and social infrastructure, and in emergency cases reception centres."* How can the European Structural and

Investment Funds, and in particular the ESF, be mobilised with the view to alleviating the burden of Member States stemming from the influx of refugees?

<u>Commission's answer:</u>

The ESF, as the main EU Fund for investing in people, can support a wide range of activities to facilitate the integration of asylum seekers and refugees in the labour market. It can do so by funding measures such as training, language courses, counselling, coaching, vocational training and employment measures. With the exception of some measures – education for children and vocational training in some Member States – the ESF can only support asylum seekers once they have access to the labour market.

Member States are required to grant asylum seekers labour market access at the latest 9 months after such persons have applied for international protection. However, some Member States grant asylum seekers earlier or even immediate access (i.e. once they apply for international protection). If this is the case, they can immediately benefit from a wider support from the ESF. It is up to Member States to decide on reducing this time period of maximum 9 months for granting labour market access.

Finally, besides the individual support to asylum seekers and refugees and their families, the ESF may also be used to support anti-discrimination activities and reinforce the administrative capacity of services of public administrations and NGOs that are dealing with the specific needs and situations of migrants, including asylum seekers and refugees.

The Fund for European Aid to the Most Deprived (FEAD) can also play its part in this extraordinary situation, as it supports persons worst affected by poverty by providing them with immediate relief and promoting their social inclusion.

According to the definition of 'most deprived persons' set out in Article 2(2) of the FEAD Regulation, the exact group or groups of people to be targeted is identified at national level. Asylum seekers can be a part of this group. For example, FEAD is already used by countries like Sweden, Belgium and Spain to support refugees and asylum seekers.

The scope of support by FEAD would depend on the scope of the national programme: but in theory, asylum seekers – like other target communities – could benefit both from food and basic material assistance (basic consumer goods of a limited value for the personal use of the recipients). They could also benefit from social inclusion activities outside active labour market measures.

Depending on the scope of support, the FEAD could support such persons both in the early stages after their arrival in the EU, as well as later. More specifically, FEAD can intervene with food and material assistance as soon as asylum-seekers and refugees arrive in the Union. Social inclusion can only be delivered when asylum has been applied for. Therefore, measures by FEAD are generally short-term for material assistance, but can be more long-term when covering social inclusion. The choice of duration and of when FEAD support kicks in depends on the Member State.

Also, the **Asylum, Migration and Integration Fund (AMIF)** offers 3.1 billion euro to Member States for 2014-2020 to support them in developing and improving their reception conditions for asylum seekers, in offering language, civic integration and labour market integration courses for refugees and legally residing third country nationals.

Finally, the **European Regional Development Fund (ERDF)** complements the ESF in supporting the integration process of refugees. The ERDF can finance measures in several fields, such as social, health, education, housing and childcare infrastructure, regeneration of deprived urban areas, actions to reduce spatial and educational isolation and business start-ups. More than 20 billion euro is allocated for 2014-2020 to these inclusive growth measures. The ERDF may also support – in exceptional circumstances and on a case-by-case basis - emergency measures in the field of the reception system of migrants and asylum seekers complementing the support from the Asylum, Migration and Integration Fund and other funding sources. This may include building or extending reception centres, shelters or actions to reinforce the capacities of the reception services, infrastructural development in hotspots, mobile hospitals as well as sanitation and water supply.

For further information, the background note (and factsheet) "Support to asylum seekers under the European Social Fund and the Fund for European Aid to the Most Deprived", prepared and published in September can be consulted (see attachments). Both the background note and the factsheet can be found at http://ec.europa.eu/esf/main.jsp?catId=67&langId=en&newsId=2336

European Anti-Fraud Office (OLAF)

50. Could the Commission please inform the Parliament about the current state of play of the ongoing OLAF cases concerning DG EMPL's fields of activity?

Commission's answer:

The Commission has been informed by OLAF that currently it has 35 ongoing investigations and 2 coordination cases in the area of the European Social Fund. No further information can be provided. This is in order to protect the confidentiality of ongoing and possible ensuing investigations, subsequent judicial proceedings, personal data and procedural rights.

Administration

51. In connection with the budget procedure for the financial year 2016, the Parliament has adopted a remark to the budget lines that concern the travel expenditure of the Commission, which states that the Commission shall avail itself of

air companies covered by collective bargaining agreements and which comply with the relevant ILO conventions, where the option is available.

As the EU recognises the fundamental right of workers to negotiate and agree on working conditions and wages with their employer, the institutions should as far as possible make use of service providers, including airlines, which recognises trade unions.

Has the Commissioner taken any initiatives to limit the use of service providers that are not covered by collective agreements?

Commission's answer:

Both Commissioners Thyssen and Bulc are very attentive to the working conditions in the transport sector. They have discussed this matter with the respective social partners on various occasions including at a dedicated high level conference on a social agenda for transport in June 2015. Discussions are currently ongoing on how a strengthened social dimension in the upcoming strategic transport policy initiatives can be developed. Any new initiatives concerning limitations to the use of service providers that are not covered by collective agreements would have to be taken in this context.

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