

Performance based budgeting: Indicators, Monitoring and Reporting

The Perspective of an ESF Managing Authority

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ESF in Baden-Württemberg

- Small ESF-Operational Program (260 mio €)
- Base-load of social expenses is carried by other agencies
- Important and mainly used to test and develop new instruments (e.g. to fight long-term unemployment)
- Successes: Many instruments financed by other agencies after expiration of ESF funding

Practical challenges for a Managing Authority

- The more innovative an instrument is, the more difficult it is to foresee its performance and output.
- Developments are often difficult/impossible to estimate 7 years in advance (e.g. labor market development).
- Changes of Operational Program (to face new situations) are possible, but burdensome in practice (high threshold).

Performance-based budgeting enforced by financial consequences creates a momentum of its own:

Managing Authority must avoid taking risks:

- Shift focus of ESF-intervention to **most reliably predictable** fields



≠ **most necessary/desirable** fields in member state

Danger of „creaming effect“:

Interventions focus on groups that promise quick and measurable success (strengthen the best, forget the rest)

Example: Focus on those long-term unemployed who are closest to the job market

- Preference of **well-tested** (“**approved**”) instruments



≠ **experimenting with, testing and developing new instruments** to fight social problems (Art. 9 VO (EU) 1303/2013: duty!)

Beneficiaries must avoid taking risks

in Baden-Württemberg often non-profit organizations (charitable NGOs) with small financial buffer

- danger in case of financial reclaims (bankruptcy)
- ESF becomes unattractive (besides bureaucracy issues)

Summary

- Enforcement of performance-based budgeting by financial leverage creates a momentum of its own.
- Performance transforms into compliance.
- Compliance outweighs other factors such as pioneer spirit.
- Well-known instruments displace the testing of new approaches (that come along with risks).
- deterrent effect on beneficiaries if risky for them
- structural disadvantages for people whose social problems are too complex, if their support cannot promise quick and measurable success

Thank you for your attention