

2018 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER SCHMIT JOBS & SOCIAL RIGHTS

Hearing on 4 December 2019

Horizontal questions

1. Could the Commission list all error rates reported in DG EMPL's AAR and the AMPR and provide an explanation for the basis of calculation (how does the Commission arrive at these error rates, are they based on historical data or projections?)?

In its 2018 AAR DG EMPL reported 3 error rates:

- a Key Performance Indicator (KPI) on legality and regularity related to the accepted accounts in 2018; and
- a 'risk at payment' and a 'risk at closure' related to overall 2018 payments for the purpose of the AMPR in line with corporate instructions.

This is in line with the recommendation of ECA in its 2017 Annual Report and of the 2017 Discharge Resolution, where DG REGIO and DG EMPL were requested (a) to streamline the number of error rates reported in the AAR and (b) to focus their reporting (KPI5) on the same accounting year being part of the population audited by ECA under its Statement of assurance.

For the purpose of its KPI in the AAR, no historical data or projections are used. The calculations are based on real data provided by audit authorities and reviewed by DG EMPL, including upwards when necessary. DG EMPL thus assessed all individual residual total error rates reported by 1st March 2018 by audit authorities for all programmes concerned with certified expenditure in the 2016/2017 accounts accepted in 2018. This forms the basis for the key performance indicator. The purpose is then to aggregate all reviewed error rates to obtain an overall average for all programmes audited (141).

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More specifically: the assessment is based on all available audit results for samples of operations covering around 4.500 operations or part of operations and one third of the concerned expenditure. Moreover, 85% of the audited expenditure was covered by statistical samples, selected in line with the Commission exhaustive guidance provided to audit authorities. The remaining 15% belong to smaller populations that, in line with the regulation (Article 127(1) CPR) and the Commission guidelines, were selected using non-statistical random samples.

DG EMPL's assessment followed a twofold audit approach: a thorough desk review for each of the 141 programmes, completed where needed by requests for additional information to the audit authority or fact-finding missions, and on-the-spot compliance audits for programmes considered at higher risk. On-the-spot compliance audits allow to re-perform samples of audits at the audit authority's level if documentation is sufficient or otherwise at the premises of the beneficiaries, to ensure that all errors were appropriately detected by the audit authority in its sample. In 2018, DG EMPL audited on the spot 36 programmes covering 38% of the amount declared in the 2016/2017 annual accounts.

As a result of this two-stage approach, DG EMPL was able to revise error rates upwards in some cases, and above the 2% materiality threshold for 11 programmes as indicated in page 60 of the AAR. For the remaining 3/4 of the programmes DG EMPL could confirm in the 2018 AAR residual total error rates below 2%.

The Honourable Members can find detailed information with the confirmed error rates and residual error rates by operational programme, after the Commission's assessment, in Annex 10, p.63, of the 2018 AAR.

Making a weighted average of these confirmed individual error rates for the 141 programmes, and neutralising the impact of advance payments into financial instruments in line with the Court's 2017 recommendation, DG EMPL calculated an estimated overall residual risk (AAR KPI 5) below the materiality level (1.5%).

Finally, based on professional judgment and taking account of

- either possible additional undetected errors (in case the DG EMPL audits found undetected errors in the sample which they re-performed, indicating that further undetected errors could remain in the parts of the samples of the audit authorities not audited by DG EMPL)
- or ongoing contradictory procedures on DG EMPL or ECA audits, in which case the worst case scenario at the time of drafting the AAR was considered,

DG EMPL also transparently disclosed that this overall residual risk could raise up to a maximum of 2.3%. In our view, this reflects a fair and prudent estimate of the residual error rate, based on a robust approach.

The approach for the calculation of the **risks at payment and at closure** is disclosed in section 2.1.1 of the 2018 AAR. These risks, which have to follow a corporate approach for the AMPR for the sake of comparability across all budget areas, apply to 2018 payments, therefore to a different population than KPI 5 (see above). Expenditure declared in 2018 in relation to 2014-2020 programmes refers to two programme accounting years, 2017/2018 (for expenditure declared in the first semester 2018) and 2018/2019 (for expenditure declared in the second semester 2018). Error rates for the first semester expenditure are known when drafting the AAR but not yet confirmed, while for the second semester they will be reported only by 1st March of the next year (2020). Hence the need to estimate risks to 2018 payments using the most accurate risk indicator.

The **amount at risk "at payment"** is calculated by DG EMPL for each programme. It applies to a different population than KPI 5, i.e. to the "relevant expenditure" of the Commission reporting year (2018) as set in the Commission's accounts, in line with corporate instructions. The population of relevant expenditure concerns not only programmes under shared management (2014-2020 programmes and 2007-2013 programmes closed in 2018), but also payments made in 2018 to the European Globalisation Adjustment Fund, under indirect management (IPA) and direct management (technical assistance and the EU Programme for Employment and Social Innovation, EaSI), with different financial management than 2014-2020 programmes.

For programmes under shared management, "relevant expenditure" is defined by the Commission accountant as all payments made during year 2018 (irrespective of the accounting year concerned) net of any advance, i.e., excluding new pre-financing and including the 10% retained amounts, and including the cleared pre-financing minus the retentions released and any deductions applied in the accounts covering the expenditure of the period 1st July 2017 to 30th June 2018).

For 2014-2020 programmes the risk at payment is calculated by applying to the relevant expenditure (as defined above) the most recent residual total error rate confirmed by the Commission services (for 2018 the accounting year 2016/2017) or, when it is higher and for reasons of prudence, the residual total error rate reported by the audit authorities by 1st March (eg for 2018 the error rates reported by 1st March 2019 and relating to accounting year 2017/2018, but not yet confirmed by the Commission).

In case no error rates were reported yet by the audit authorities by 1st March 2019 (no expenditure declared in the first semester 2018), but interim payments occurred in the second semester 2018, a 2% flat rate was used.

The **amount at risk "at closure"** indicates the remaining risk related to the 2018 relevant expenditure once the Commission will have applied the necessary financial corrections to bring the total residual error rates for all OPs down to 2% (future corrections). By using the latest confirmed residual total error rates (for accounting year 2016/2017) and the reported (but not yet confirmed) residual total error rate for accounting year 2017/2018 by programme, as detailed in Annex 10 of the AAR, DG EMPL was able to forecast for which programmes additional financial corrections will be required upon finalisation of the ongoing audit contradictory procedures for accounting year 2016/2017 and the assessment of the legality and regularity for the accounting year 2017/2018.

2. Could the Commission provide a description of the auditing process, including the institutions involved, possibly with a timeline?

The Honourable Members are invited to consult the Annex 10 of DG EMPL's AAR which provides a full picture of the control architecture and audit process of our funds implemented under shared management. For ease of reference, highlights of this annex are presented below.

For each operational programme, the Member State appoints:

- a managing authority to manage the operational programmes: it performs management verifications before declaring expenditure, ex-ante documentary checks on all payment claims and ex-ante or ex-post on-the-spot checks on a sample of operations;
- a certifying authority to certify the accounts and the payment applications before their transmission to the Commission: it relies on the first level of verification (management verifications) before declaring statements of expenditure to the Commission, including carrying out its own checks when necessary
- an audit authority to oversee the efficient functioning of the management and control system and to provide yearly professional, independent audit opinions to the Commission, including residual error rates based on statistical sampling and after corrections. It designs an audit strategy in order to perform audits of the management and control systems, of the certified accounts and ex-post audits of a representative sample of operations, as well as complementary audits on high-risk operations where necessary. The audit authority may select a global statistical sample for various programmes when management and control systems are homogenous.

Under shared management, the Commission entrusts Member States with implementing programmes at national level. Member States allocate funds to beneficiaries and final recipients. Member States set-up a management and control system for operational programmes, which complies with the requirements of the Regulations, ensuring that the system functions effectively and could prevent, detect, and correct irregularities. The Commission plays a supervisory role. The Commission further verifies the effective functioning of the systems based on all available audit results, including national and EU audits, and if necessary, makes financial corrections.

The Regulation has introduced a major change: through the requirement to set up annual accounts for each operational programme, covering the period from 1 July to 30 June. An assurance package must be provided each year by 15 February by the national/regional authorities, which includes:

- Management Declaration and Annual Summary, prepared by the managing authority;
- Certified Accounts, prepared by the certifying authority,
- Annual Control Report and Audit Opinion, prepared by the audit authority.

The assessment of all available audit sources allows the Directorate General to establish a level of assurance for payments and performance of each programme:

- Audit authorities' work and results on both system audits and audits of representative samples of operations, reported to the Commission throughout the year (system audit reports) or by 15 February each year (annual control reports and audit opinions);
- Commission's desk and on-the-spot review of the work of audit authorities, including re-performance of audits in case of identified risks;
- Commission's on-the-spot system audits at the level of managing authorities, intermediate bodies considered as higher risk and including at the level of operations to carry out direct testing, when necessary;

- Relevant audit information received from other sources such as the European Court of Auditors;
- OLAF final case reports.

In relation to the assurance packages to be received by 15 February each year (with a possibility for extension till 1st March), the Directorate-General assesses first the programme accounts, which it has to accept or to challenge by 31 May year N+1, and then it assesses the legality and regularity of underlying expenditure included in these accounts (no deadline fixed in the regulation). The co-legislator has decided to distinguish the acceptance of the accounts from the treatment of issues linked to the legality and regularity of expenditure (see Article 139(5) CPR). This is similar to the process at EU level, where the Court of auditors can accept the Commission accounts while at the same time reporting an overall material level of error.

DG EMPL carries out the examination of the accounts to determine whether the accounts are complete, accurate and true and can be accepted by 31 May. Within 30 days of the acceptance of accounts, the Commission will pay/recover the balance due. When conditions set in Article 139(2) CPR are fulfilled, the Commission will not accept the accounts. This triggers a contradictory procedure with the Member State for the Commission to be able to establish the amount chargeable under the accounts.

In parallel DG EMPL assesses the remaining documents in the assurance packages, namely annual control reports, including reported residual error rates, audit opinions and annual summaries. The regulation does not fix any deadline for this assessment, which falls under the general management responsibility of the Directorate general. DG EMPL endeavours to complete its assessment and to confirm error rates in view of its subsequent annual activity report. When contradictory procedures are still on-going at the time of the AAR, DG EMPL prudently reports for in its AAR the maximum potential error rate, on the basis of information known at the date of establishing the AAR (and indicates in its AAR that this information is not confirmed yet). The regulation also foresees that the Commission can audit accepted accounts at any time during the period for obligatory availability of supporting documents (up to 3 years following the year in which accounts were presented, see combined provisions of Articles 75 and 140 CPR). There is therefore no legal requirement to definitively close the Commission assessment on legality and regularity by the next AAR, since the Commission corrective capacity for Cohesion policy is set by the co-legislator to be on a multi-annual basis.

Validation of reported error rates entails both a thorough desk-review and assessment for each programme, possibly completed by fact-finding missions or request for additional information, and, on a risk basis, on-the-spot compliance audits. Annual audit opinions on the effective functioning of systems are also important legality and regularity information.

The audit cycle at Commission level may trigger requests for additional financial corrections, in case the Commission considers the Member State did not apply sufficient corrections (in case deficiencies or high error rates were identified, or in case the Commission recalculates a residual error rate above 2% while the Member State had reported a rate below 2%, thus requiring additional extrapolated corrections). Financial corrections are net in case of

detection of irregularities demonstrating serious deficiency in the effective functioning of the management and control system not previously identified/reported and subject to appropriate corrective measures.

This annual audit cycle leads de facto to the quasi-closure of an annual block of eligible expenditure (except for advance payments under financial instruments or State aid that need to be cleared in subsequent years). The Commission can however continue to audit specific risks or programmes, if necessary, as indicated above.

3. What is the Commission's opinions about the idea of introducing centralised sampling where the Commission defines the sample for each Member State as the basis for the national audit authorities' checks?

Following the shared management principle, the selection and implementation of the sampling methodologies is one of the responsibilities of the audit authorities. The sampling methodology is to be chosen for each operational programme or group of programmes under a homogenous management and control system. It has to take account of the characteristics of each programme in order to ensure proportionate (and feasible) audit samples and representative and conclusive audit results.

Audit activities also need to be carried out in the most efficient way within the time given to audit authorities to carry out their duties (results have to be ready within 7,5 months after the end of the accounting year). This is why the Commission proposed various tools to audit authorities to spread their work over the year (multi-period sampling, different sampling techniques and methods compiled in a comprehensive guidance)

DGs REGIO and EMPL acknowledge that the use of sampling techniques require deep expertise and sound professional judgement to ensure that results are statistically valid and reliable. In this context, the audit authorities are benefitting from detailed guidance and training by the Commission on how to use statistical sampling techniques. Most of them have developed internal technical expertise or use also outsourced, specialised expertise, for example from national statistical offices, when necessary. They also have an open, consultancy line with the Commission audit services with the help, under technical assistance monies, of one of the most recognised academic experts in the field of statistics at European level.

The Commission does not consider that it would be in a position to introduce a centralised sampling and that this would be beneficial to the policy. The general main principle remains that under shared management the Member States' audit authorities are fully responsible for the national audit work and results, including an adequate selection and implementation of sampling methodologies, and for applying the appropriate financial corrections that result from such audit work, at the level that Member States consider more appropriate in line with their institutional arrangements.

The Commission proposals for 2021-2027 continue with this line, but also open three possibilities for improvement in this area.

(a) First the possibility for Member States to opt for a single statistical sample at national level, selected by the audit authority or with the help of the national statistical services, covering all programmes. This could potentially reduce considerably the control effort while

still providing national, valid results. It would also mean that in such case the Member State would define its internal rules for the application of the required financial corrections (at national / sub-national level).

(b) An exception for ETC (cross border) programmes that have historically suffered a disproportionate audit effort in relation to the funds allocated and the level of risks identified over years. For such cross-border programmes, the Commission proposed that it would centrally draw an EU level common sample covering all ETC programmes in Europe (currently over 70 programmes), based on information to be provided in due time by programme authorities, and to request each concerned audit authority to carry out the audits that fall under its competence. This proposal is challenging but would indeed provide room for reduction of the audit effort for programmes, which globally present very low risks year after year. This may not be the case for mainstream national and regional programmes, which present very varied risk levels year on year.

(c) An empowerment for the adoption of a Delegated Act setting out standardised off-the-shelf sampling methodologies with the objective to provide to audit authorities a stable legal framework from the beginning of the period. In that regard the Commission also refers to its common reply to paragraphs 6.44 and 6.45 of the 2018 Annual Report of the Court, where we call for a community of views between all European Institutions in this technical area, so that audit authorities act under a stable framework.

4. Could the Commission provide a list of all studies paid for by DG EMPL since 2009 indicating the topic/title, who conducted the study, clearly showing if it was published or not (if published, including date of publication) and the total cost of the study?

Please find enclosed a list of studies paid for by EMPL since 2009. DG EMPL is still in the process of gathering the relevant data for the 2009-2012 period, but will send an update once this has been obtained.



EMPL_Evaluations
2013-2018.xlsx



EMPL_Evaluations
2009-2012.xlsx

5. ECA uses a different methodology for calculating the error rate than the Commission. How does the Commission's methodology compare to ECA's methodology? Could the Commission explain why it uses its methodology and what its reasoning is for using this methodology rather than the methodology used by ECA?

The Commission's methodology and concepts have been developed to fit the Commission's management context and obligations, but they largely converge with those used by the European Court of Auditors in its audit approach. The KPI on legality and regularity provided in EMPL's and REGIO's AARs is closest to the European Court of Auditors' "most likely / estimated level of error", in line with the Court's recommendation in its 2017 Annual Report. In recent years, the Court has recognised that the Commission figures are, in most cases, broadly in line with the Court's own estimates and/or within its range.

This year the Court considered that the Commission's estimate for Cohesion policy is too low, both in the AAR (KPI) and in the AMPR (risk at payment/at closure). The Commission would

refer to its replies to points 6.14-6.15 of the Court's report, where it expresses its disagreement with five errors quantified by the Court, which have a significant impact on the Court's estimate.

The different roles and needs of our two institutions need to be taken into consideration. As manager of the EU Budget, the Commission's objective is to identify weaknesses at programme level – and below - and to take appropriate, proportionate remedial actions. The objective of the error rates reported by the European Court of Auditors, as external auditor, is to provide an overall audit opinion on the legality and regularity of expenditure of one specific year, across all programmes and Europe, but not to identify which individual systems functioned effectively so as to provide reasonable assurance to the Commission on the individual payments it did in the year. As EU spending programmes are multiannual by design, the Commission's related control systems and management cycles also cover multiple years. This implies that while errors may be detected in any given year, they are corrected by Member States in first instance but also by the Commission where necessary in the current or in subsequent year(s), until the very end of a programme's lifecycle. Consequently, the risk (both as % and in amount) is estimated by the Commission at two key stages in the cycle: at payment and at closure, as per the terminology used in the AMPR.

In addition, in order to be able to provide bottom-up management assurance, and to identify and address issues in specific areas, the Commission calculates the error rates per programme (or other relevant segment) and aggregates all individual confirmed error rate to report its KPI on legality and regularity in the AAR. The Commission's error rates are based on a bottom-up approach, involving the results of thousands of checks on EU expenditure. This means that the Commission's information on error rates is more detailed than that of the Court. Without this level of detail, we would not be able to take the appropriate remedial action, e.g. suspending a payment, asking a Member State or a beneficiary to pay back money, or asking a Member State to present a plan for improving its management and control system.

European Semester

In its AAR, DG EMPL mentions that it contributed significantly to the annual European Semester process.

6. How did DG EMPL contribute to the annual European Semester process on particular?

As has been customary over these last few years, the 2019 European Semester cycle looked at both current and longer-term economic and social challenges and reforms to tackle them. In particular, the social dimension of the Semester has been strengthened significantly over the last years, with almost half of all Country-specific Recommendations being in the employment, education and social domains in 2019. As a novelty, the last Semester cycle also provided a stronger focus on regional disparities and investment needs, with a reinforced link between challenges and priorities identified in the Semester and EU funding through the European Investment and Structural Funds (including the European Social Fund in the employment and social domains).

The European Pillar of Social Rights, and the Social Scoreboard accompanying it, are now an integral part of the Semester, having been incorporated in the Annual Growth Survey, the Joint Employment Report, the Employment Guidelines, Country Reports and Country-specific Recommendations. The Pillar is guiding our efforts towards upwards convergence in living and working conditions in the Union. It provides the right framework to design policy responses to the structural changes taking place in our societies and the world of work, including population ageing, digitalisation and globalisation. The Semester continues to successfully build a shared understanding of challenges with Member States, social partners and civil society organisations.

7. Could the Commission describe its most significant country-specific recommendations?

All recommendations have a similar level of significance because they cover areas that are considered most important after analysis in a particular cycle. We do not consider that any recommendations are less significant than others.

An overview of all of the CSRs issued in 2019 can be found on the Europa website, here: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester_en

ESF/YEI reservation risk at payment above 2%

8. The Commission mentions that risk at payment is 2.1% for ESF/YEI. Did the Commission measure an individual risk at payment for each part (ESF and YEI)?

There is no specific error rate calculated for YEI, as the YEI is part of the population covered together with the ESF by the Audit Authorities when performing their audit of operations, as in many cases there are multi-funds ESF and YEI programmes.

9. How has the YEI contributed to reducing youth unemployment in Italy, France and Spain?

Italy, with a total budget of the YEI programme of EUR 2.8 billion, shows good progress in implementing the YEI. Thanks to this support, over the last years, Italy has established and reinforced a range of policy measures in the context of the Youth Guarantee Council Recommendation, to tackle youth unemployment and the high NEET (young people not in employment, education or training) rate. The national operational programme implementing the YEI funding, and which represents by far the largest allocation for youth employment, shows a satisfactory performance in terms of financial and physical progress and is on track to achieving the expected targets, in terms of participants and in terms of results. Around 53% of participants are in employment six months after the end of the YEI-funded measure they took part in.

In **France** (total budget of EUR 720 million for the YEI programme), the rate of programming is particularly high and the number of participants exceeds the target value. According to evaluation studies, upon leaving YEI support, 45% of the participants are in employment or

enrolled in a training programme. Under the national YEI programme (concentrating 70% of the French YEI allocation), 60% of participants are in employment or enrolled in a training programme six months after leaving YEI support. Identifying the most vulnerable young people not in employment, education or training was a challenge but forced the beneficiary organisations to adapt their practices. This is a positive impact of the YEI. In France, the YEI represents relevant support to strengthen the existing youth policy. Experimental or innovative policy actions are also carried out with YEI (20% according to evaluation studies).

In **Spain**, the Operational Programme (OP) for Youth Employment (POEJ in Spanish) is the main source of funding to implement the Youth Guarantee, with a total budget of EUR 3.6 billion. Spain has been meeting its annual spending targets and financial implementation is satisfactory. By June 2019, 40% of the budget had been absorbed in Commission's payments to Spain. Overall, 90% of the OP budget has already been committed to selected operations and over 750 000 participants have benefitted from measures funded with this programme. Structural changes have been promoted by the YEI in terms of putting the young people at the centre of the policy, setting new collaborations between the different services and administrations working with youth, and gaining knowledge on how to face the specific market labour problems of youth.

10. Could the commission explain the main sources of error contributing to the risk at payment above 2%?

Following the ECA recommendation regarding the error rates communicated in the AAR, both DGs EMPL and REGIO have applied a common approach described in the replies to question 1 and 23.

In order to comply with the legal requirements in the Financial Regulation and to contribute to corporate reporting (Annual Management and Performance report), the DGs disclose in the 2018 AAR the amounts at risk at payment and at closure related to the 2018 relevant expenditure.

The risk at payment is estimated using the highest error rate (either the confirmed error rates for 2016/2017 or the reviewed (and not yet confirmed) 2017/2018 residual error rates).

For some programmes, either the contradictory procedure was still ongoing following re-performance audits of the 2016/2017 accounts or the national authorities provided the 2017/2018 accounts with a residual error rate above 2 %. These specific cases and the conservative approach using the higher of the 2 rates have led the average residual error rate to be provisionally above 2%. The necessary additional financial corrections have been requested for these programmes.

As indicated in the 2018 EMPL AAR (page 56), the main sources of error for the ESF/YEI programmes relates to ineligible expenditure (35%) followed by breaches in public procurement procedures (13%).

11. What is the residual error rate of YEI?

As stated in the reply to question 8, there is no specific error rate calculated for YEI, as the YEI is part of the population covered together with the ESF by the Audit Authorities when performing their audit of operations.

12. How high was the error rate as identified by the national audit authorities?

Globally, for ESF/YEI and FEAD, the average residual total error rate calculated by the national audit authorities was 0,6 %. As explained in reply to question 1, DG EMPL reviewed these error rates to arrive at its KPI for the accounting year 2016/2017, which as indicated in DG EMPL's AAR, stands at 1,5 %. This demonstrates that during its review, the Commission makes use of all available sources of information to provide the most reliable value for this KPI.

13. Which countries did implement YEI?

The YEI supports regions in 20 Member States (BE, BG, CZ, IE, EL, ES, FR, HR, IT, CY, LV, LT, HU, PL, PT, RO, SI, SK, SE, UK) since its launch in 2014. It was launched to provide support regions (at NUTS level 2) that have youth unemployment rates for young persons aged 15 to 24 of more than 25 % according to the latest available annual data.

Since unemployment rates for young people fell below 25% in several regions, the subsequent increases in YEI resources adopted by the co-legislators in 2017, 2018, 2019 and 2020 do not benefit all these Member States and regions. YEI-supported measures in the 20 Member States originally eligible will remain eligible until the end of the current programming period.

14. What is the current state of play with regard to the management and control systems for the 25 ESF/YEI operational programmes listed in the 2018 AAR for which a reservation has been included for the programming period 2014-2020?

Reservations have been lifted to date for 12 OPs (FR (Guadeloupe-St Martin Etat, Languedoc-Roussillon, Bourgogne, Franche-Comté-Jura), HU – all six OPs, IT - Veneto and CZ - FEAD). This was done because the risks identified have been mitigated as follows to protect the EU Budget:

- Additional corrections to accept the accounts have been implemented for 4 programmes – CZ - FEAD and 3 FR (Languedoc-Roussillon, Bourgogne, Franche-Comté-Jura);
- Corrective measures to the Management and Control System have been implemented in 2 programmes – FR Guadeloupe-Saint Martin Etat and IT - Veneto.
- Corrective measures for the management and control systems have been implemented and the accounts accepted for the 6 HU programmes.

15. Regarding the second reservation contained in the 2018 AAR: have the necessary financial corrections been carried out in relation to the 14 specific ESF Operational Programmes in Austria, France, Germany, Italy, Romania and the United Kingdom (concerning the 2007-2013 programming period)?

Concerning the 2007-2013 programming period, and to date, no reservation has been lifted as additional audit work is still ongoing and/or agreement on the additional financial corrections have not yet been reached. When the results of the additional audit work

requested by the Commission will be available, the Commission will propose to the Member States concerned the level of additional financial corrections to be applied in order to have the reasonable assurance that the expenditure declared for the programmes are legal and regular. Only then can any reservation be lifted to protect the EU Budget.

Audit work

16. According to the AAR (p. 53), the number of compliance audits increased from 2 in 2017 to 14 in 2018. The AAR describes this as a positive development with the aim to clarify methodological issues. What were these methodological issues, where did they prevail and how were they resolved?

In order to be in a position to provide a reasonable assurance on the legality and regularity of the expenditure, the Commission relies firstly on the work of the audit authorities. This requires that any audit authority works reliably. Therefore, the Commission needs to assess the assurance it can have on each audit authority. It does so by closely monitoring the work of the audit authorities to ensure that they work up to the expected standards and provide fully reliable audit results through audits, guidance and regular multi- and bilateral technical meetings.

On a risk and rolling basis, the Commission continuously monitors and re-assesses the work of the audit authorities through compliance audits re-performing the work of the audit authorities. During the course of such audits methodological questions came up and have been clarified in the meantime..

The main methodological issues that have been clarified through further guidance and technical meetings relate to audit documentation and audit trail, the development of shared and agreed sampling techniques to ensure representative and reliable error rates and the adoption of common audit tools and checklists.

17. The last YEI performance audit was carried out in 2016 - why has there not been any more recent performance audit?

In the beginning of the 2014-20 programming period, it was appropriate to accomplish a number of audits on the performance of the YEI, focusing on the indicators and milestones defined for the operational programmes and the systems that had been or were still being set up to collect, record and store such data. As of 2019, DG EMPL's audit services we are still following up on the adequate implementation of recommendations for 10 of those audits. In subsequent years, the priority was to accomplish early preventive audits on systems, and later compliance audits to provide assurance on the expenditure declared to the Commission. It is worth noting that an additional number of audits on the reliability of the performance data have been launched following the submission of the Annual Implementation Report 2019.

18. Most findings by EMPL's audits concerned Key Requirements 2 (appropriate selection of operation), 3 (adequate information to beneficiaries), 4 (adequate management verifications) and 16 (adequate audits of operations). What is the Commissions conclusion

here? Does this reflect systemic weaknesses in the audit and control systems? What measures has the Commission undertaken/intends to undertake to improve the situation?

While significant progress has been made by the different Managing Authorities over the programming period 2014-20 compared to the situation of the previous period, and that this is reflected on the management and control systems of all the programmes in the current programming period, unfortunately, there are still improvements to be made in some areas, in particular in the following areas: Key Requirements 2 (appropriate selection of operations), 3 (adequate information to beneficiaries), 4 (adequate management verifications) and 16 (adequate audits of operations). These weaknesses can sometimes have systemic origins, but most of the time they are rather of punctual origin. For each of them, the Audit services address them through corrective measures, including financial corrections, and issuing adequate recommendations such as: better transparency and clarity in the approval of the selection criteria; better information to intermediate bodies and beneficiaries, improvement of the audit management systems; and improvement of the audits of the operations (for example by adopting or improving the Member States audit checklists).

19. The AAR states that “some programme authorities continue to have difficulties with the implementation of robust management and control systems” (p. 56). Which programme authorities is the Commission referring to here? Did these problems persist over time? What does the Commission undertake to improve the quality of the work of these national authorities?

The programme authorities that still have difficulties to finalise the setting-up of a robust management and control systems are the ones for which DG EMPL has made a reservation in its 2018 AAR.

DG EMPL is working with the authorities concerned to follow-up on the implementation of the correctives measures foreseen in the action plans defined by the authorities, which in most cases refer to the Key Requirements mentioned in the question 18 above.

20. Regarding capacity building, a working group comprising the Commission and some Audit Authorities has been set up to discuss the audit methodology. What was the result of this working group? What concrete measures have been planned/completed? What improvements have been achieved? Is there a follow-up on how the measures of this working group are addressed in the Member States?

Since the previous programming period and over the years, the Commission’s auditors have worked in close contacts with the audit authorities in the Member States. This takes form of bi-lateral contacts as well as meetings between the Commission services and all audit authorities throughout the year.

The result of all these initiatives is an audit methodology, mostly comprising instructions but also checklists which are jointly used by the Commission auditors and on a voluntary basis by the audit authorities. Concretely, when it comes to the development of the audit methodology related to different aspects of the audit work (public procurement, financial instruments, simplified cost options, etc.), they are discussed in advance with the audit

authorities. Depending on the context and the complexity of a particular area, the Commission auditors might share their draft methodology and request comments from the audit authorities and/or might decide to organise a working group on the topic and invite audit authorities which wish to participate.

This common work on audit methodology is also useful for the Commission's own audits as the Commission auditors review the audit methodology of the audit authorities during their audits and would issue recommendations for improvement if the latter do not include checks on all relating legal requirements. As a benchmark, the Commission auditors use their own methodology and checklists, developed as explained above and continuously encourages audit authorities to use agreed checklists and methodologies.

More recently and in line with the ECA's 2017 recommendation, the Commission has established a working group with the participation of several audit authorities and the Court as an observer. The objective is to establish a common understanding and practice in this area, taking due account of the need for an appropriate balance to ensure sound and efficient administrative procedures and in particular in order to strengthen their capacity to prevent and correct errors. The Commission will keep working closely with the audit authorities in order to address the issues raised by the Court through sharing of best practices and exchange of audit tools and methodologies, including the Commission's own checklists.

21. How does DG EMPL follow up on its recommendations and what were the findings from these follow-ups? Did DG EMPL discover any patterns across Member States in how its recommendations were implemented?

The implementation of the Commission's audit recommendations is comprehensively monitored and given systematic follow up, including at the annual control meetings with the national audit authorities in each Member State. Recommendations remain open in DG EMPL's audit system (MAPAR) as long as the Member State has not provided evidence of remedial action taken.

22. In which countries and on what respective ground did DG EMPL organise Early Preventive System Audits" in 2018?

In 2018, DG EMPL carried out early preventive system audits (EPSA) in the following countries:

AT (1: OP Employment Austria 2014-2020), BE (1: German Speaking Community), DE (5: OP Mecklenburg-Vorpommer; OP Sachsen-Anhalt; OP Bremen; OP Nordrhein-Westfalen; OP Hamburg), ES (2: Social Inclusion OP; Youth Employment Initiative OP), FR (2: Regional OP Ile de France; Regional OP Guadeloupe Conseil Régional), HU (2: Human Resources Development OP; Public Administration & Civil Service Development OP), IER (1: ESF Operational Programme 2014-2020), IT (2: National OP on Education; ROP Calabria), and the UK (1: ESF Scotland).

DG EMPL's EPSA audits are based on a risk assessment and cover those systems where re-performance of the audit authority's work is not possible because no assurance package was received or where zero accounts were declared.

Methodology

23. 2018 AAR of DG EMPL (p. 83), the Commission mentions that it is open to reflect on, and to discuss with the ECA, how to further improve and streamline its presentation of error rates in its future AARs. What is the state of play in this regard?

The ECA recommended that DGs REGIO and EMPL relate to the complexity of the information presented on the 2014-2020 control and assurance framework in their AARs.

Following discussions between DGs REGIO and EMPL with the ECA, the approach for the 2018 AAR was modified and is explained on page 58 of the 2018 AAR. This revised approach was applied by both DGs. (See also reply to question 1).

The Commission remains open to adjust its presentation further. Therefore, regular meetings take place between the Commission and the ECA in order to further improve the reporting on error rate.

Error rates

24. The ECA has found that the level of error in spending on 'Economic, social and territorial cohesion' was material, with an estimated overall level of 5,0 % . This represents a significant increase on the 2017-estimated level of error of 3.0%. How much of this increase in the error rate is related to activities of DG EMPL?

The ESF is exposed to a lower risk profile as some of the main sources of errors, such as public procurements and state aid, are less relevant for this ESF-type of expenditure. Furthermore, the ESF is working with simplified cost options, which are less prone to error as acknowledged by the Court (par. 6.24 of the Annual Report 2018).

Since 2015, the Court no longer publishes a separate error rate for the employment and social affairs heading, but rather provides a global error rate for the cohesion heading. Whilst EMPL's contribution to the Court's error rate for cohesion cannot therefore be ascertained, it should be noted that only 69 of the 220 projects sampled by the Court in 2018 concerned DG EMPL. In the Annual Report 2017 , ESF spending made up the majority of the expenditure, and the error rate, as calculated by the Court was only 3%. This figure is more in line with the values, which were traditionally recorded for the ESF when the Court provided a separate error rate for the ESF: for instance the ECA published a specific error rate for the ESF from 2012-2014, for which the error rate varied between 2.2%- 3.2%.

The Court's error rate for 2018 also includes errors which impacted the error rate in 2018, but for which the Commission does not share the assessment of the ECA. Three relate to the ESF.

DG EMPL itself has estimated the overall amount at risk “at payment” for the 2018 relevant expenditure to be EUR 247 million- or 1.8% of the 2018 relevant expenditure. For the accounts accepted in 2018, meaning those covering the expenditure of the years 2016/2017, the error rate stands at 1.5%. DG EMPL also transparently disclosed in the AAR that based on DG EMPL’s professional judgement this risk could increase to 2.3%, because of possible additional errors or the final outcome of contradictory procedures that were on-going at the time of signing the AAR.

25. The ECA is of the opinion that residual error rates reported in the Commission’s AARs (KPI) are underestimated and the Auditors cannot rely on them. The Auditors also found that the recently introduced control and assurance framework, which was designed to ensure that annual residual error rates are below 2 %, requires further improvements, in particular in terms of the framework’s implementation by managing authorities, audit authorities and the Commission. What steps will the Commission take to ensure that the framework used for measuring the residual error rates is effective and will produce accurate and reliable results?

The Commission does not share the assessment of the Court. The Commission stresses the importance of the work performed by audit authorities in detecting errors which led to significant financial corrections and withdrawals before the 2016/2017 accounts were submitted to the Commission. In addition, In the EMPL 2018 AAR, the Commission reported that there is a risk that the error rate remains material for 47 programmes. Similar reporting was included in the REGIO 2018 AAR (the Honourable Members are also referred to the Commission reply to question 14 addressed to Commissioner Hahn for Regional and Urban policy). The Commission disclosed the operational programmes concerned in the AARs. In line with the 2014 – 2020 regulations, the Commission is committed to apply the required additional financial corrections to these programmes.

However, the Commission does not share the assessment of the ECA on three significant errors concerning 2014 – 2020 and two errors concerning 2007 – 2013, due to diverging interpretation of the applicable national and EU rules, which have an impact on the calculated residual error rate.

The Commission addressed updated guidance to Member States for the 2014 – 2020 programming period, which combined with the required use of simplified cost options (SCOs) should contribute to improving further the quality of management verifications. Tangible improvements, however, also depend on staff available to deal with increasing amounts of declared expenditure, and on the required stability of experienced staff in the administrations concerned.

Simplification

26. The ECA found the estimated level of error in high-risk expenditure, such as cost reimbursements, to be 4.5%. Expenditure in the area of 'Cohesion' (which for ECA audit purposes includes DG EMPL) is dominated by reimbursements and Cohesion was the single biggest contributor to the estimated level of error for high risk expenditure in 2018 (at 43,0 %). The ECA has stated that the complex rules surrounding high-risk expenditure, may add to the rate of error. Does the Commission propose to introduce guidelines or measures to simplify the eligibility conditions for costs reimbursements in Member States, in an effort to reduce the error rate associated with high-risk expenditure?

The Commission has invested significant efforts in the simplification of rules. The Omnibus regulation has introduced targeted simplification for cohesion policy with immediate effects in the current period, such as:

- No upper limit for lump sums (previously set at EUR 100.000 of public contribution)
- New payment form: payments based on conditions (as a pilot project)
- Compulsory use of simplified cost options for ERDF and ESF where public support does not exceed EUR 100.000 for operations not implemented exclusively through public procurement
- Simplification of ways to establish simplified cost options
- New off-the-shelf simplified cost options (for instance for staff costs or indirect costs)
- Possibility to use simplified cost options for the whole operation in case part of the operation is subject to public procurement
- Clarification that where simplified cost options are used, managing authority has to verify that conditions for reimbursement of expenditure are met.

The use of simplified cost options entails many advantages for both administrations and beneficiaries, such as: Reducing the administrative burden, allowing faster reimbursement of expenditure; reducing the risk of errors (the European Court of Auditors acknowledges that the simplified cost options are less prone to error, see reply to question 24), allowing administrations to shift the focus from collecting and verifying financial documents to achieving policy objectives, facilitating access of small beneficiaries to the ESI Funds.

The Commission has proactively promoted SCOs among Member States by regularly supporting programme authorities with guidance, legal interpretation, and hands-on workshops. As far as the ESF is concerned, the Commission also actively contributes to developing methodologies for unit costs or lump sums and provided a number of EU-level SCOs, i.e. "off-the-shelf", ready-to-use, solutions for Member States in a number of areas. Currently, EU-level SCOs are in force covering four areas (education, training for unemployed, counselling service and training for employees). As explained also in reply to question 30, the latest figure indicate that simplified cost options cover approximately 33% of ESF expenditure and are currently used by 95% of ESF OPs. DG EMPL is confident that the goal of 50% of transactions under SCOs will be met by the end of the current programming period.

27. Can you provide more information on the work of the "Intra DG EMPL Task Force on Simplification"?

Given the continuous importance of supporting Member States with the set-up and implementation of Simplified Cost Options, an Intra DG EMPL Task Force on Simplification was set up to promote the use of simplified cost options (SCOs) and facilitate cooperation across all relevant actors in the DG.

The group consists of staff from the co-ordination, audit, evaluation and geographical units. Its main tasks are:

- To build knowledge and capacity within DG EMPL.
- To provide an opportunity for geo desks and auditors to share their knowledge of SCO implementation on the ground.
- To exchange information about current SCO-related events and activities (negotiations on the future regulation, studies, LTT on SCOs etc.)

National Audit authorities

28. The ECA identified shortcomings with the scope, quality and/or documentation of the work of the Member State auditing authorities in 29% of the sample transactions, which required the ECA to re-perform the audit procedure. In 24 of the transactions where the audit was re-performed, the ECA found quantifiable errors that had not previously been identified by the audit authority. Similar concerns were raised by the ECA in its Annual Report of 2017. What steps does the Commission propose to take in order to improve the efficacy of the work of the audit authorities in Member States?

The Commission takes the Court's findings very seriously and continues working extensively with all audit authorities to ensure that they work up to expected standards. Such cooperation includes various guidance notes on the assurance packages, the elaboration of a methodology for auditing financial instruments, technical meetings to discuss methodological issues, the development of jointly shared and agreed sampling techniques to ensure representative and reliable error rates (comprehensive guidance), and the adoption of joint audit tools and checklists.

However, the Commission notes that the problems detected by the Court have varying impacts on the reported residual error rates. The Commission's exhaustive approach, consisting in reviewing each of the reported annual control reports and residual error rates allows it detecting for which programme and audit authority improvements or adjustments are needed.

The Commission's own thorough desk and risk-based on-the-spot audit work allowed it to report in the respective AARs of DG REGIO and DG EMPL 40 ERDF/CF and 47 ESF/YEI programmes for which it considered the residual error rate to be above 2 %. This was due to clerical mistakes, non-detection of issues raised by the Commission in the analysis of annual control reports or audit authorities' working papers or insufficient (financial) corrections taken at Member State level.

The Commission is continuously working with the concerned audit authorities to improve their work for the future.

ECA Recommendations

29. The ECA has reported that Recommendation 6 contained in its 2017 Report - recommending that the Commission carry out sufficient regularity checks to determine the effectiveness of audit authorities' work and obtain reasonable assurance on the regularity of expenditure at the latest in the AARs it publishes following the year of accepting the accounts- has only been implemented "in some respects". An immediate target date for implementation was set by the ECA. Why has this specific Recommendation not been implemented by the Commission, particularly in light of the continuing concerns raised by the ECA in respect of the standard of auditing practice of member States.

The Commission refers to its reply to annex 6.3 of the Court published on page 258 of the Court's annual report. The Commission recalled in its reply that it had only partially accepted the recommendation for a part which is not quoted in the question of the Honourable Member (and which led the Court to make its assessment).

The Commission fully accepted the part of the recommendation, in line with its Single Audit Strategy for the concerned funds, "to carry out sufficient regularity checks to determine the effectiveness of audit authorities' work and obtain reasonable assurance on the regularity of expenditure ". The Commission has carried out a substantial level of audits in that respect in 2018.

It should be underlined that the Commission has only partially accepted the further part of the recommendation requesting it to obtain such assurance "at the latest in the AARs it publishes following the year of accepting the accounts". The Commission has indeed accepted to report each year in the respective AAR on the reliability of the residual error rates reported by audit authorities in the previous year's assurance packages, following completion of the annual control cycle. However, providing a definitive confirmed residual total error rate for each operational programme each year, by the time of signature of the AAR thus finally concluding on compliance for each programme, is not always possible. Several factors may contribute to delays in such assessments, including ongoing contradictory procedures on the Commission's compliance audits, or the need for additional verifications by the Commission (for example due to further ECA audit information not yet confirmed).

Under the regulatory framework, the Commission may carry out audits on the expenditure included in the accounts up to 3 years to conclude on the reliability of the error rates reported by audit authorities for an accounting year and to confirm the legality and regularity of the certified expenditure or take all required financial corrections in relation to such audits of previously accepted accounts.

The co-legislator therefore reserved the right and possibility for the Commission to exercise its supervisory role in the multi-annual context of ESIF programmes, and the Commission could not accept to limit this possibility until the next annual activity report only.

Simplified cost options

30. The ECA has advised that while simplification measures, such as the use of simplified cost options (SCOs), it is noted that the use of SCOs is still limited even in cases where they might be appropriate. In the AAR of DG EMPL, it is stated that an Intra DG EMPL Task Force on Simplification was set up to promote the use of simplified cost options (SCOs). Can the Commission provide any data to show on the current state of play of the implementation of SCOs?

In 2018, the Commission carried out a study assessing the use and intended use of Simplified Cost Options across Member States and ESI funds. For the ESF, the study shows that SCOs cover approximately 33% of ESF expenditure and are currently used by 95% of ESF OPs. EMPL is confident that the goal of 50% of transactions under SCOs will be met by the end of the current programming period.

Furthermore, all Member States are currently applying simplified cost options. Unit costs and lump sums approved by a delegated act under Article 14(1) ESF are currently in force for 19 Member States.

EU 2020

31. What were the findings of the “Social Scoreboard” (AAR 2018, page 9)?

The Social Scoreboard accompanying the European Pillar of Social Rights counts 14 headline indicators and 21 secondary indicators covering the Pillar principles in the three areas of equal opportunities and access to the labour market, fair working conditions and social protection and inclusion. The headline indicators are analysed through a joint methodology agreed with Member States. The results of this analysis are published yearly in the Joint Employment Report. They also provide elements for a country-specific assessment of employment, education and social challenges in the Country Reports.

Looking at the analysis for 2018 (as presented in the 2019 Joint Employment Report), all 14 headline indicators of the Social Scoreboard recorded an improvement on average. The [forthcoming] 2020 Joint Employment Report presents a still positive picture, though the effects of the economic slowdown are becoming visible as only 10 out of the 14 indicators currently present a clear improving trend (in particular, the gender employment gap and self-reported unmet needs for medical care exhibit slight negative developments). Most Member States present challenges on at least one of the Scoreboard indicators.

32. In which way did DG EMPL contribute to Greece’s successful exit from the financial assistance programme?

DG EMPL has been fully involved in the monitoring of the implementation of the European Stability Mechanism (ESM) stability support programme for Greece, contributing to the identification of the main challenges in the employment and social fields, supporting the Greek authorities in defining the most appropriate policy responses needed to address such

challenges, and providing key financial support notably through the European Social Fund (ESF), the Youth Employment Initiative (YEI) and the Fund for European Aid to the Most Deprived (FEAD).

In particular, DG EMPL and the ESF contributed to the successful implementation of major reforms, such as the deep overhaul of the Greek social welfare system, the reform of primary health care, the modernisation of the Greek public employment service and stepping up the fight against undeclared work. DG EMPL contributed also to relaunch social dialogue at national level, encouraging the close involvement of national social partners in policy making.

33. What intends DG EMPL to achieve with a European Employment Authority?

The co-legislators adopted Regulation (EU) 2019/1149 establishing a European Labour Authority on 20 June 2019. In line with the Regulation, the activities of the Authority will pursue the objectives of facilitating access to information on rights and obligations regarding labour mobility across the Union as well as to relevant services; facilitating and enhancing cooperation between Member States in the enforcement of relevant Union law across the Union, including facilitating concerted and joint inspections; mediating and facilitating a solution in cases of cross-border disputes between Member States; and supporting cooperation between Member States in tackling undeclared work.

The Authority started its activities with the first meeting of its Management Board on 16 and 17 October 2019. It will progressively build up staff and financial resources to reach cruising speed in 2024, when it will count on 144 staff and a budget of about EUR 50 million. The draft Work Programme for 2020 envisages to develop the activities of the Authority along two priority tasks: “facilitating access to information” and “coordinating and supporting concerted and joint inspections”. The Authority will also undertake preparatory actions in view of the transfer of the EURES network and of the European Platform tackling undeclared work from the Commission to the authority, foreseen by 2021.

34. DG EMPL claims: “Each year the European Social Fund (ESF) helps millions of Europeans improve their lives by learning new skills and finding better jobs. By the end of 2017, 15.3 million participants had already been supported by ESF and YEI interventions, of whom 7.9 million were unemployed and 4.9 million inactive. By the end of 2017, Member States had declared that 2.4 million young people had already benefitted from the Youth Employment Initiative (YEI).” But what do you know about the lasting impact and sustainability of the measures?

In addition to the immediate results that show the change in the participant's labour market situation upon leaving the ESF operation, Member States also report twice during the programming period common longer-term result indicators. These indicate the participant's status 6 months after leaving. According to preliminary data in the latest annual implementation reports at the end of 2018, 2.6 million participants found a job, 3.6 million participants gained a qualification and 1.4 million participants were in education or training. As regards the YEI, 2.7 million young people have benefitted of YEI-supported measures and 1.1 million young people were in education/training, gained a qualification, or were in

employment, including self-employment, upon leaving; and 754 thousand YEI participants in employment 6 months after leaving YEI supported measures.¹

Beyond the result indicators collected by the monitoring system, the impact of the fund can be assessed by means of evaluations, in particular counterfactual impact evaluations. Such evaluations are able to quantify to what extent the result is attributable to the ESF. The number of counterfactual impact evaluations (CIEs) has risen since the previous programming period considerably: for the 2007-2013 period, there were around 30 altogether – for the 2014-2020 period, there have been 23 completed CIEs so far and above 130 are planned. Impact evaluations are required for all priorities in the current programming period. In particular, all YEI eligible Member States had to carry out two evaluations on the YEI by end 2018.

The increase in the number of ESF impact evaluations is also notable. Overall, 178 ESF (including multi-fund) impact evaluations have been carried out since 2015. Of the 64 ESF impact evaluations concerning the current programming period, 42 were carried out last year, compared to 6 only in the previous year. Overall, 2019 is still early for many counterfactual impact evaluations of the current programming 2014-2020 period, because impacts should be estimated after a sufficient number of participants have completed intervention and enough time has passed for impacts to emerge. However, there are already some early results for the current period and some results of the previous period. Overall, the synthesis of the first results of the counterfactual evaluations show that positive impacts are more frequent than evaluations that show no impact. A more systematic synthesis of the results of the evaluations should be available in the ex-post evaluation of the 2014-2020 period.

An illustrative example is the Italian Operational Programme (OP) “Employment and Labour Policies Integrated Plan” (PIPOL), co-funded by the Friuli Venezia Giulia regional OP which concluded that participants had a higher probability of finding a job than non-participants and that overall, and traineeships were more effective than training programmes. The measures were also more effective for women, young people, the low-educated and people from abroad.

Another Italian evaluation of measures co-funded by the Piemonte regional OP found that 31% of participants were employed one year after the completion of training, an estimated difference of around 12-20 percentage points percentage as compared with non-participants.

Another illustrative example is the Estonian "My First Job" initiative to support the (re)entry of young people into the labour market through wage and training subsidies and training. The evaluation found that the initiative has had a significant effect in reducing youth unemployment, despite large numbers of dropouts and relatively few who continued working for their original employer over the long-term.

¹ Cumulative data by end 2017 can be consulted in the cohesion policy open data platform at <https://cohesiondata.ec.europa.eu/>. Data as at end 2018 will be available in December with the publication of the 2018 Strategic Report.

35. Could DG EMPL summarise the main findings of the impact assessment commissioned for the ESF+?

The Commission drafted the ESF+ Impact Assessment (IA) based on a study commissioned to support the in-house work on the IA.

The IA demonstrated the importance of allocating appropriate resources under the MFF 2021-2027 for developing the Union's social dimension (including through the implementation of the European Pillar of Social Rights) in light of the social and employment challenges that the EU faces.

Based on evaluations and stakeholder consultations, the IA also confirms the effectiveness, efficiency, relevance, EU added value and coherence of the ESF, YEI, FEAD, EaSI and EGF.

Furthermore, the IA identified the key challenges and associated objectives of the current and past EU funds investing in human capital development, which the ESF+ proposal aims to address:

- Enhancing coherence and complementarity between the Funds
- Reinforcing alignment of funding to EU policy priorities
- Increasing responsiveness and flexibility of Funds
- Promoting result orientation
- Simplifying programming and management (including through evolution, rather than revolution of the rules)

36. Can DG EMPL summarise the main findings of the “Ex-post evaluation of the ESF 2007-2013 programming period”?

The ex-post evaluation of the ESF 2007-2013² can be summarised as follows:

) The ESF funded interventions reached target groups in need of support, integrating people into the labour market, helping them gain jobs, improving their skills and generating changes in systems;

) The ESF was an important instrument supporting the implementation of national and EU priorities under the Lisbon and Europe 2020 strategies and related Country Specific recommendations;

) The flexibility in existing programmes and in reprogramming enabled swift responses to emerging challenges, in particular those created by the severe economic crisis that hit the EU in the programming period. As such, ESF helped to mitigate the negative effects of the crisis, which especially affected the most vulnerable groups in society;

) ESF programmes helped EU cohesion and generated EU added value in various ways. The most significant were volume effects (providing significant financial resources to address employment and social challenges in a majority of Member States), scope effects (ESF action broadens existing action by supporting groups or policy areas that would not otherwise receive support) and role effects (support for local/regional innovations that are then mainstreamed at national level and for the introduction of new ways in which various stakeholders can work together); and

² https://ec.europa.eu/info/sites/info/files/swd-2016-452-final_en.pdf

) The ESF provided significant support for the modernisation, strengthening and widening of the scope of public services such as public employment services (PESs) and other institutions responsible for active labour market actions.

) In terms of quantitative achievements, by the end of 2017³, ESF registered almost 116 million participations. Among these, 52.2% were female participations, 30.5% were unemployed and 30.5% young people.

) At least 40.9 million positive results have been achieved by individuals (14.4 million obtained qualifications, 11.5 million secured employment while 15.1 million obtained other positive results).

) A total of €114.64 billion was allocated to ESF 2007-2013, of which €76.34 billion is contributed by the EU budget (66.6%).

) More than 90% of the ESF 2007-2013 budget was allocated to the three main ESF priorities: Education and Training (45.3%), Access to Employment (34.9%), and Social Inclusion (14.1%).

37. Can DG EMPL provide CONT with the latest figures on programme implementation and key programme achievements?

As reported by the Member States in its 2018 Annual Implementation Reports, the key programme achievements as at the end 2018 can be summarised for the ESF as follows:

By end 2018:

- 26 million people have been supported by the ESF.
- 1.8 million participants with disabilities, 3.6 million migrants, participants with a foreign background or minorities and 4.2 million other disadvantaged people have received help to improve their employment opportunities and develop the right skills for the jobs market
- 11.6 million low-skilled people have been helped,
- 2.6 million people have found a job, including as self-employed, 3.6 million people have gained a qualification and 1.4 million were in education and training following the support.

In addition to ESF, the youth employment initiative (YEI) has supported 2.7 million young people, out of which approximately 820,000 have been offered either a job, continued education, an apprenticeship or training; and over 1.1 million were in education or training, had gained a qualification or were in employment, including self-employment.

Financial management

38. The internal control system has allowed for the detection of deficiencies in the Management and Control Systems of 14 ESF operational programmes for the 2007-2013 programming period. Please provide details of the deficient national Management and Control Systems and the remedies put in place.

The main findings in system audits for the 2007-2013 programming period concerned deficiencies with:

- selection of operations,

³ <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8158&furtherPubs=yes>

- inadequate management verifications,
- lack of audit trail,
- unreliable IT systems,
- flaws in the certification process,
- insufficient reliability of the national system audit reports,
- breaches in public procurement and;
- ineligibility of expenditure

Additional audit work has been requested for the 14 programmes in reservation and additional financial correction might need to be applied for the closure of the programmes. For more details, please see also page 86 of Annex 10 of DG EMPL's 2018 AAR.

39. For the 2014-2020 programming period, 25 ESF/YEI and 3 FEAD programmes are also part of the reservation due to material deficiencies in some key elements of the systems as well as for legality and regularity issues revealed by an audit of EMPL. Please provide details of the material deficiencies and the remedial actions.

Most findings by EMPL's audits for the 2014-20 programming period concerned Key Requirements 2 (appropriate selection of operations), 3 (adequate information to beneficiaries), 4 (adequate management verifications) and 16 (adequate audits of operations), that the national authorities are requested to address through corrective measures such as: better transparency and clarity in the approval of the selection criteria; better information to intermediate bodies and beneficiaries, improvement of the audit management systems; and improvement of the audits of the operations (for example by adopting or improving the MS audit checklists)

40. In 2018, EMPL completed the first crosscutting evaluation of the European Commission Agencies working in the employment and social affairs policy field -EUROFOUND, CEDEFOP, ETF and EU-OSHA. What were the main findings?

The evaluation was launched in 2016 in the context of the Founding Regulation revision of the three tripartite Agencies (Eurofound, Cedefop and EU-OSHA). This overall evaluation aimed to assess retrospectively the individual performance of the Agencies during the 2011-2016 period and to find out possible synergies and efficiency gains that could be achieved under the boundaries of the current Agencies framework.⁴ The evaluation showed that the Agencies have operated overall effectively, delivered the planned outputs, achieved the specific objectives planned in their work programs and contributed towards the general objectives, providing timely contributions that fed into EU policy making.

The outputs and services of the four Agencies were relevant both from the top-down perspective of contribution to key EU-level policy objectives, as well as from the bottom-up standpoint of stakeholders. However, the Agencies' planning process and resource limitations create a gap between what is expected from the Agencies by the Commission, Member States and social partners, and what the Agencies can offer. Nonetheless, the Commission has proposed to keep agencies' budgets stable over the next MFF-period. It should be noted that

⁴ The evaluation report and the Staff Working Document are accessible at <https://ec.europa.eu/social/main.jsp?langId=en&catId=85&furtherNews=yes&newsId=9348>

such a freeze in nominal terms results in a decrease in real terms, which implies that the agencies will have to continue seeking synergies and efficiency gains.

In the assessment of coherence amongst the four Agencies, the evaluation identified some overlaps at the level of their respective general mandates, in particular between Cedefop and ETF, both in charge of VET policy, and between Eurofound and EU-OSHA. Nevertheless, the ETF and Cedefop have different operational objectives and territorial scope. The four Agencies have developed mechanisms for exchange of information and cooperation.

There is room for improving cooperation amongst Agencies. Cooperation remains largely bi-lateral, one-off, bottom-up and mostly consists of knowledge-exchange and joint participation in events. It lacks joint strategic planning, which is needed for better coordinating across Agencies the responses to future common social and economic issues. Therefore, there are opportunities to further reduce costs/ increase efficiency and achieve stronger synergies through reinforced cooperation.

There are other avenues for improvement, including enhancing the quality of outputs in face of the budgetary constraints, more timely delivery of certain outputs, and increasing the accessibility/readability of certain outputs to non-specialists and non-English speakers. There is a need to diversify the communication channels and to increase the use and dissemination of their outputs to wider stakeholders. There is room as well for better aligning their activities to the EU policy priorities and improving their ability to respond to the requests and emerging needs at the EU-level. The agencies are already actively addressing these recommendations.

41. Please provide details for the table reflecting the final assessment of national MCS (AAR 2018, page 62), in particular the category 3b.

Please find enclosed a table with the list of the programmes classified in categories 3a, 3b and 4.



Microsoft Excel
Worksheet

42. For the closure process of ESF 2007-2013 the RAL amounted to EUR 1.48 billion by the end of December 2018. Which measures did the Commission take or intends to take to improve this situation?

DG EMPL has organised several meetings and visits in Member States to accelerate the process and to resolve pending audit issues in close cooperation with Member States. By the end of October 2019 DG EMPL has proceeded with 12 pre-closure letters which lead to payments for 237,8 million, recoveries for 37,3 million and decommitments for 2 million. Pre-closure refers to the process by which the Commission presents its position and gives the Member States 2 months to agree or disagree with its findings. For the remaining 21 OPs (929 million to be paid), the pre-closure letters should be finalised by the end 2019 for 8 OPs and in 2020 for the last 13 OPs.

43. For the programming period 2007-2013, EUR 460 million were decommitted. Which programmes and which countries were concerned? Was the money committed anew? If so, on which programmes and which Member States were concerned?

The decommitments concern 44 programmes and 14 Member States: AT, BE, BG, CZ, DE, ES, FI, FR, HR, HU, IT, SE, SK, UK. The amounts decommitted after reception of the final documents set at 31 March 2017 (article 89 of Council Regulation (EC) No 1083/2006), could not be recommitted.

44. For the programming period 2007-2013, the total amount of the implemented financial corrections, including ex-post and ex-ante corrections, stands at the end of 2018 at EUR 2.785 million, representing around 3.6 % of the declared expenditure. Was this amount fully recovered? Could the Commission provide an overview over the sums that were recovered or are still in the process of being recovered (including the Member State concerned)?

Financial corrections mean that the Member State has deducted the "ineligible" amounts from the declarations of expenditure sent to the Commission; therefore the EU budget is protected against any irregularity. The effective recovery from the beneficiaries is a responsibility of the Member State.

The reported amount of EUR 2.785 million represents:

- EUR 1.276 million: financial corrections "ex-post" or "ex-ante" implemented by Member States at the Commission's request following Commission audit work during implementation or/and at closure of the programmes via deduction of irregular expenditure from the payment claims.
- EUR 1509 million: financial corrections "ex-post" implemented by Member States following their audit work during implementation or/and at closure of the programmes via deduction of irregular expenditure from the payment claims.
- To date only one correction at closure was net (CZ – Commission decision C(2017)4682 for the amount of EUR 63.573,6.)

45. How does DG EMPL select "outsourced" auditors for direct management programmes?

Some DG EMPL Direct Management audits are externalised via the Commission framework contract for Audits and Controls (BUDG-15-PO-03).

The BUDG-15-PO-03 framework contract is a reopening of competition based contract comprising eight contractors.

DG EMPL prepares a request for services and awards the specific contract to the contractor ("outsourced auditor") who has submitted the most economically advantageous tender.

46. Why do only 21 Member States use the ARACHNE programme?

Arachne is a tool that is made available to the programme authorities. As there is no legal basis to impose its use, it is up to the Member States to accept the offer or not.

The Swedish ESF Council is responsible for several billion SEK in EU grants. The money is supposed to go to projects that, among other things, help long-term unemployed in Sweden. Dagens Nyheter recently revealed how the authority in an advanced setup used one of the EU projects to pay for its own information campaigns. Millions of SEK have been paid in violation of the rules. A top manager has left his position, an internal investigation is underway and the Director General is preparing to report his own authority to the Swedish Crime Authority.

47. How does the Commission assess the situation?

The EU contribution to the Swedish ESF programme amounts to EUR 799.921.296. The money is primarily intended to support, among others, long-term unemployed. At the same time, it is also intended to be used for communication purposes. In fact, according to the applicable regulation, communication measures must be undertaken by the managing authority each year. Thus, the spending on information purposes is not contrary to EU rules.

However, the Commission understands that the way these payments were made might have been contrary to Swedish national rules. The internal investigation has been finalised and the Swedish ESF Council is following-up on its recommendations. According to our knowledge the Swedish Economic Crime Authority reviewed the case, but declined to pursue it.

In any case, the EU Budget is fully protected since the related expenditure has never been claimed for co-financing to the Commission.

48. What will it do to get more information and follow the case?

The Commission has been closely following the case ever since it learned about it, ensured that the EU Budget is fully protected and kept close contact with the relevant Swedish authorities.

Additional questions

49. Most of the observations the ECA made on EU agencies under the remit of DG EMPL concern shortcomings in public procurement procedures (as was the case also in previous years). Are there any plans how to improve the public procurement procedures? Has there been any development towards introducing e-procurement?

The agencies, to save resources, exploit synergies and improve cost-efficiency, have been undertaking cooperation and shared services initiatives, both among the EMPL agencies as well as within a larger Network of EU Decentralised Agencies (the so-called Dublin Agenda). The network of agencies started cooperating **on procurement since 2013**. Since then, there are at least yearly discussions amongst agencies and this resulted in the establishment of shared services catalogue.

Examples of ongoing or implemented initiatives include: cooperation and cost-sharing on the Staff Survey (Cedefop/ Eurofound); joint procurement of evaluation services; the Eurofound–EUOSHA joint report on psychosocial risks at work; as well as efforts at joint recruitment (the ETF/ Cedefop).

Cedefop deployed e-tendering and e-submission in procurement. Preparatory work for the migration to ABAC (the finance and accounting system of the Commission, which will allow e-invoicing) is ongoing with a view to making further efficiency gains, primarily in finance and accounting.

As part of joint procurement initiatives, the ETF coordinated the joint open tender for the implementation of staff engagement surveys amongst 28 agencies as well as the joint open tender on strategic communication services with 9 agencies. Regarding joint procurement between EMPL agencies, the ETF led the joint procurement of evaluation services with CEDEFOP.

E-procurement solutions (e-tendering, e-submission and e-invoicing) have been deployed in ETF in line with Directives 2014/24/EU and 2014/55/EU as a mean to save resources and ensure compliance to the procurement rules.

Moreover for the implementation of their budget, most of the EU agencies, use (and will continue using in the future) the EC's central budgetary and accounting system. For better integration of the corporate systems, these bodies will be encouraged to adopt the entire set of corporate solutions (e-Grants, e-Procurement and the EC's central budgetary and accounting system). It has to be noted that the Commission, under the Grants Procurement Steering Board (GPSB) governance, is working on the implementation of the new eProcurement suite to cover the end to end procurement process. This suite will gradually cover the scope of eProcurement and will be gradually rolled-out to all EC services, but also to other EU entities (including agencies) under certain conditions

Regarding the last developments in eProcurement in the Commission, a new eSubmission solution is coming soon in production, which aims to cover open, restricted and negotiated procedures (without prior publication). The module to automate the creation of procedure files at preparation phase will be rolled-out to other regulatory agencies and other EU institutions. These new solution will be automatically available to all entities using the current eSubmission solution.

50. It has been visible in the past years that there is a trend in collaboration of agencies under the remit of DG EMPL (CEDEFOP, EUROFOUND, ETF, EU-OSHA) in order to ensure their synergy and complementarities (for example joint procurement procedures or the use of inter-institutional contracts). Firstly, are there any other steps planned in this area for the future in order to increase efficiency and use EU financial sources more effectively? Secondly, is there any plan for merging those particular agencies for example under one agency, which would cover all the activities?

- a) During April/May 2019, the four EMPL Directors in charge of the agencies sent a letter to each Agency Director inviting them to elaborate an **Action Plan setting up the concrete measures and tools** to implement the overall and Agency-specific recommendations as identified in the evaluation SWD. The Agencies are actively working to fully implement the evaluation recommendations. The four delivered their action plans to the Commission – plans describe how the different issues, will be addressed and set deadlines regarding these actions - and each Agency is exchanging information with the others on

measures planned or already in place with a view to continue sharing experience and further increasing synergies.

- b) **At this stage, there are no plans to further revise the structure of the Agencies.** The aim of the evaluation of the Agencies under the remit of DG EMPL, was to identify room for improvement within the current institutional framework, therefore the evaluation did not cover potential future scenarios implying changes in the agencies' architecture (e.g. mergers) or changes in their mandates. However, the cross-cutting assessment identified limited overlaps and complementarities among agencies that justify keeping the current structure and the need for reinforcing cooperation without merging. In this regard, joint work between agencies has grown in recent years, building on the fact that the perimeters of the agencies are quite well defined and where they do share overlapping topics of interest, they usually do so with a different perspective or *modus operandi*. The partial overlaps identified at the level of general mandates and objectives have provided opportunities for productive cooperation where agencies make use of differences in their knowledge and expertise, especially between Cedefop and the ETF, Eurofound and EU-OSHA and to a lesser extent between Cedefop and Eurofound.
- Efficient collaboration between the agencies under the remit of DG EMPL is established within the new founding regulations of the tripartite agencies.

51. What are the concrete achievements of European Social Fund and Youth Employment Initiative in 2018 (especially regarding direct and indirect creation of jobs)? What were the problems connected to ESF/YEI in the UK, Italy and Hungary which resulted in sending 33 warning letters and interruption of the programmes. Could these problems have been prevented?

By the end of 2018, with the support of **the ESF**, of 26 million people had benefitted, 2.6 million people had found a job, including as self-employed, 3.6 million people had gained a qualification and 1.4 million were in education and training following the support. For the same period, the **Youth Employment Initiative (YEI)** had supported 2.7 million young people, out of which 824,000 had been offered either a job, continued education, an apprenticeship or training. Over 1.1 million had moved into education or training, had gained a qualification or were in employment, including self-employment following the YEI measures they took part in.

For **Hungary** all programmes were affected by deficiencies in the public procurement verification, for which a warning was issued covering all programmes. The ESF-related priorities of the programmes were also affected by weaknesses in the project selection and management verifications. Typical mistakes included that projects (or part of projects) were not compliant with the relevant OP provisions, expenditure was not necessary for the project objectives and state aid advances were overstated. The recommendations were issued to reinforce the relevant control activities and thereby prevent the reoccurrence of similar deficiencies.

As regards **Italy**, the warning letter for the YEI-supported programme was sent after the analysis of the accounts 2016-2017, for which the Commission requested to withdraw the

expenditure declared for a beneficiary for which further investigation was needed and for which corrective measures should have been taken. As the management of the programme is shared among central and regional administrations, deficiencies were identified with regard to the coordination among them.

As regards the Italian OP Calabria (multi-fund), the warning letter regards only the ERDF part and does not concern the ESF.

In the **UK**, two of the six ESF and YEI-supported programmes were confronted with an interruption or suspension of payments. In both cases, the reasons for interrupting and or suspending payments to the programmes were based on the Commission's audit findings. The Commission offered its entire co-operation to the UK authorities as to the implementation of the recommendations formulated in its audit reports.

- Scotland: following Commission audits in 2017 and 2018, serious deficiencies in the KR4 (adequate management verifications) had been detected. In accordance with the legal rules, this led to interruption, pre-suspension and finally suspension of payments on 5 November 2019 by Commission Decision. The Scottish authorities were duly informed and co-operated during the whole process. The Commission is working closely with them to resolve the outstanding issues in order to lift the suspension.
- England: following a Commission audit (2017) which detected serious deficiencies in the Key Requirements 2 (selection of operations, 4 (management verifications) and 6 (audit trail), payments to the programme were interrupted in early 2019. Since July 2019, payments were resumed, after another audit confirmed that all recommendations for improvements to the systems had been duly followed up by the English authorities.

52. According to ECA, DG EMPL underestimated the level of irregularity for 2018 (1,8% of the 2018 expenditure under DG EMPL's remit, or 247 million). What is the explanation behind this irregularity?

The EUR 247 million is the estimated amount at risk at payment for the relevant expenditure paid in 2018 through the various financial programmes managed by DG EMPL. It is the best conservative estimation by DG EMPL of the amount not in conformity with the applicable contractual and regulatory provisions at the time the payment is made. The Commission is of the opinion that the estimated risk at payment disclosed in the AAR gives a fair view of the risk to the legality and regularity of the relevant expenditure paid in 2018, which relate to a different period than the one audited by the ECA.

The main level of risk concerns the payments made for the 2014-2020 programming period (see reply to question 10.) For the programmes concerned, DG EMPL is currently following up the contradictory procedures with the Member States concerned in order to apply the necessary financial corrections to bring the residual error rate below the materiality threshold of 2%.

53. Could you please provide results regarding use of European Globalization fund in 2018? What was the reintegration rate for workers under EGF programme (country by country)?

Recently, the Commission published a report on the activities and results of the EGF in 2017 and 2018.⁵ In 2018, €27 688 613 were mobilised to support 8 cases (5 from 2017 and 3 from 2018) targeting 7 722 workers and 1 030 NEETs.

The re-employment rates in the countries having submitted final reports in 2018 were: Belgium (2 cases) 42%; Sweden (2 cases) 79%; France 65%; Greece 48%; Finland 80%. It is worth pointing out that the workers supported by EGF measures are usually among those facing the greatest difficulties on the labour market. The average reintegration rate of assisted workers for final reports received in 2017/2018 stood at 60%, compared to 47% in the previous reporting period (2015/2016).

54. According to the Annual Management and Performance Report over 2.4 million people were supported by the youth employment initiative between 2014 and 2017. Does the Commission has any statistics or data how many of the people participating in the programme continued to be employed or in education/training a few months or a year after they participated in the initiative? Were there any qualitative or quantitative follow-up research about the participants?

Member States provide information on YEI longer-term result indicators yearly. According to preliminary information from the latest, 2018 annual implementation reports of the Member States, there were 270 thousand YEI participants in continued education, training programmes leading to a qualification, an apprenticeship or a traineeship **6 months after leaving**; and 754 thousand participants in employment **6 months after leaving**.

Moreover, according to article 19(6) of the ESF Regulation, at least twice during the programming period, Member States should carry out an evaluation on YEI. The deadline for the second evaluation was 31 December 2018. The Commission has since received all 22 national or regional evaluation reports covering the Member States implementing the Youth Employment Initiative. The main findings of these reports are being integrated into the ongoing Evaluation of Youth Employment Operations at EU-level. The results of this EU level evaluations will be finalised and published in 2020.

55. Europe 2020 strategy sets the target of 'lifting at least 20 million people out of the risk of poverty or social exclusion' by 2020 compared to the year 2008. The latest Eurostat shows the cumulative change for EU-27 is below 8 million. According to the Commission is the target possible to be achieved by the end of 2020? Is there any additional steps the Commission does in order to achieve the target? How does the Commission encourages the member states to make additional steps?

The latest figures for 2018 show that 21.7% or 108.1 million people in the EU (excluding Croatia) are at risk of poverty or social exclusion, 2 percentage points below the 2008 reference-point of 23.7% or 116.1 million people, and almost 3 percentage points less than in 2012 when the number of people at risk of poverty of social exclusion had peaked at 24.7% or 122.4 million.

⁵ <https://ec.europa.eu/social/main.jsp?langId=en&catId=326&furtherNews=yes&newsId=9462>

In absolute numbers this means that 7.9 million people have been lifted out of poverty between 2008 and 2018. If compared to 2012 peak, even 14.3 million people have been lifted out of poverty and social exclusion by 2018. If the positive trend continues at the current pace, the EU would be well placed to register by 2020 a decline of around 15 million people at risk of poverty or exclusion since 2008.

While that is good news, 7.9 million people is still a long way from the target of 20 million people lifted out of poverty or social exclusion by 2020. The European Pillar of Social Rights identifies principles and rights to support fair and well-functioning welfare systems towards better socio-economic conditions in all Member States. Relevant principles to fight poverty include those related to income support, active participation to the labour market, access to services, including essential services.

The EU supports and complements the activities of the Member States in the integration of persons excluded from the labour market and the combating of social exclusion (Article 153 Treaty on the Functioning of the European Union (TFEU)).

With the aim of tackling poverty and social exclusion affecting the working age population, the Commission Recommendation of 3 October 2008 on the active inclusion of people excluded from the labour market (2008 Recommendation) built on previous Council policy guidance valid since 1992. It stresses the importance of a comprehensive approach based on a combination of three policy strands, namely adequate income support, inclusive labour markets and access to quality services. These strands are a precondition for the economic and social integration of people furthest away from the labour market. The European Pillar of Social Rights reflects the active inclusion approach in several of its principles.

The European Pillar of Social Rights is designed as a compass for a renewed process of upward convergence towards better working and living conditions in the European Union. The Pillar and its supporting Social Scoreboard guide and underpin the Commission's analysis in the European Semester, including on issues of poverty and social exclusion. As a result of the analysis undertaken in the Country Reports, 15 Country-specific Recommendations (CSRs) were issued by Council on issues relating to poverty and social inclusion in 2019.

Furthermore, in her Mission Letter to Commissioner Schmit, President von der Leyen asked him to develop an action plan to implement the Pillar, working closely with the Member States and fully respecting the subsidiarity principle.

Moreover, the European Social Fund and the Fund for European Aid for the most deprived (FEAD) are making a major contribution to help people into work and out of poverty. FEAD support people take their first steps out of poverty and social exclusion, while the ESF is the EU's main tool for helping Member States to combat poverty and promote social inclusion. The ESF helps Member States in "reinforcing the social inclusion of disadvantaged people with a view to their sustainable integration in employment and combating all forms of discrimination in the labour market".

The European Social Fund Plus would merge a number of existing funds and programmes, pooling their resources. This would allow more integrated and targeted support. For instance, people affected by poverty would benefit from a better mix of material assistance and comprehensive social support.

56. How many and which member states use the possibilities for simplified cost options (SCOs) provided in the European Social Fund (ESF) Regulation 1304/2013 and which member states use SCOs based on the amended ESF and Common Provisions Regulation (introduced by the Omnibus Regulation)? How does the Commission promote and assist member states to use SCOs?

All Member States use Simplified Cost Options, as the use of SCOs is mandatory for small operations (i.e. operations below EUR 100 000). In 2018, the Commission carried out a study assessing the use and intended use of Simplified Cost Options across Member States and the ESI funds . For the ESF, the study shows that SCOs are currently used by 95% of ESF OPs. On average, more than 65% of ESF projects are implemented through SCOs.

A particular feature of the ESF regulation is that it allows the Commission to adopt delegated acts for defining SCOs. In other words, art. 14.1 of the ESF Regulation empowers the Commission to set unit costs or lump sums for the reimbursement of ESF expenditure to Member States. Since 2015, we have done that on 9 occasions , for 20 Member States, covering an estimated total of 11 billion EUR of ESF expenditure. With this delegated act, the Commission provides legal certainty on the amounts and methodology of the SCOs. In the same way, we have also set EU-level SCOs, i.e. off-the-shelf solutions for Member States, in four areas.

The Commission has been proactively promoting SCOs among Member States by regularly supporting program authorities on practical questions, providing guidance, legal interpretation, and hands-on workshops. DG EMPL has also established an ongoing dialogue on issues related to SCOs through the ESF Transnational Cooperation Network on Simplification and the ESF Committee. For the ESF, the Commission actively contributes to developing methodologies for unit costs or lump sums under Article 14(1) ESF Reg. and defined EU-level SCOs for all Member States in four areas. These areas are education, training for unemployed, counselling services and training for employees. These unit costs were developed by DG EMPL and allow Member States to reimburse beneficiaries at a fixed rate with a higher degree of legal certainty and without having to perform any calculation.

57. In the Programme Statements of operational expenditure – Draft Budget for 2020 - ESF is presented as contributing programme to 12 out of 17 Sustainable Development Goals, FEAD – to 3 SDGs, the European Solidarity Corps (ESC) – to 8 SDGs, and the EU Programme for Employment and Social Innovations (EaSI) – to 2 SDGs. Are there indicators in the respective Regulations, which may allow for more results oriented reporting on the ESF, FEAD, ESC and EaSI contribution to the SDGs? Are relevant indicators for such a reporting envisaged in the proposal for ESF+ Regulation for the next period 2021-2027?

Even though the current regulations for the ESF, FEAD, and EaSI programmes were agreed before the UN SDG(s), and thus contain no “regulatory” indicators directly linked to the

SDG(s), it is still possible to assess, to a certain extent, the contribution the programmes to the SDGs.

European Social Fund

The ESF regulation includes indicators on people supported by the Fund, which can be directly used to assess the contribution of the Fund to several SDGs.

For example when it comes to the ESF contribution to SDG 1 'End poverty in all its forms everywhere' or SDG 4 'Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all'.

Moreover, all data under the ESF have to be broken down by gender. The ESF can therefore clearly show its contribution to SDG 5 'Achieve gender equality and empower all women and girls'.

The ESF regulation also includes indicators to monitor the result of the operations on these people.

For other SDGs, such as SDG 8 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all', the Fund's contribution is monitored with financial indicators.

The same logic of output, result and financial indicators has been kept for the ESF+ 2021-2027, which should allow the continuous monitoring of the Fund's contribution to the SDGs.

FEAD (Fund for European Aid to the most Deprived):

The FEAD regulation includes common indicators on people supported by the Fund, which can be directly used to assess the contribution of the Fund to several SDGs. It should be recalled that FEAD's contribution, given the limited size of its budget and the competence of MS in this field, has to be seen as a complement to national social inclusion policies.

SDG 1 - End poverty in all its forms everywhere:

The FEAD contributes to the specific objective of alleviating the worst forms of poverty by providing non-financial assistance to the most deprived persons. Several common indicators indicate the number and basic characteristics of end recipients receiving food support and basic material assistance, and persons receiving social inclusion assistance.

Moreover, in a Delegated Regulation it is also stipulated that Annual Implementation Reports by Member States have to assess in 2017 and 2022 the contribution of FEAD programmes to achieving the specific and global objectives of FEAD, including the contribution to reduce poverty

SDG 2 - End hunger, achieve food security and improved nutrition and promote sustainable agriculture

The FEAD Regulation requires common output and result indicators on food support, the latter are further specifying the target groups such as people with disabilities and homeless. Therefore, the FEAD support allocated to reducing food deprivation is visible.

SDG 3 - Reduce inequality within and among countries

The FEAD also finances specific actions to promote the social inclusion of end recipients (in FEAD OP II type programmes). The Regulation requires the reporting of persons receiving social inclusion assistance.

Employment and Social Innovation programme (EaSI)

The programme has a monitoring framework designed by the Commission in compliance with article 12 of the EaSI regulation requiring regular reporting on the results of the programme and its contribution to the principles of equality between women and men and gender mainstreaming as well as to anti-discrimination (horizontal objectives). In this regard, two specific indicators from the monitoring framework (proportion of final recipients that have created or further developed a business with EU microfinance support that are unemployed or belonging to vulnerable groups and the share of stakeholders stating that the EU contribution to the integration of the horizontal objectives in the EaSI-relevant policy areas is moderate or high) allow to monitor how the programme contribute to the SDG(s). In the new ESF+ regulation, there are no indicators proposed at regulatory level for the new programming period.

European Solidarity Corps

By providing young Europeans with opportunities to practice high-quality solidarity activities in various areas (e.g. environmental protection, climate change mitigation and social inclusion), the European Solidarity Corps (ESC) contributes to a number of SDGs. The minimum framework of indicators set out in the ESC regulation includes indicators such as “number of participants” by type of activity (volunteering, traineeship, job or solidarity project), and “number of participants reporting positive learning outcomes”. These can, for instance, be used to assess the contribution of the Programme to SDG4 on ensuring inclusive and equitable quality education for all, as well as, SDG 8 on Decent Work and Economic Growth. It is also possible to assess the contribution to SDG 5 ‘Achieve gender equality and empower all women and girls,’ given that several output indicators are broken down by gender. The specific indicator on participation of young people with fewer opportunities allows for reporting on contribution to the mentioned SDG4 but also SDG 10 on reducing inequalities within and among countries.

In 2019, in accordance with Article 15(2) of the Regulation, the Commission extended the framework with additional indicators including “percentage of participants declaring they have increased their Key Competences”, “change in the participants' declared employability” but also a direct indicator “number of projects contributing to the achievement of the Sustainable Development Goals (SDGs), broken down by goal,” which may allow for more results oriented reporting.