



6.1.2016

## **WORKING DOCUMENT**

on the European Court of Auditors' Special Report No 17/2015 (2014 Discharge): Commission's support of Youth Action Teams: redirection of ESF funding achieved, but insufficient focus on results

Committee on Budgetary Control

Rapporteur: Derek Vaughan

## **Introduction**

Youth unemployment has been and continues to be a problem in several Member States and was aggravated by the financial and debt crisis. The unemployment rate in the EU went from more than 15% in 2008 to 21% in 2010 and again to more than 23% in 2012 and 2013, then reduced in 2014 above 22%. It now sits at 20%.

Within the framework of the European Employment strategy - introduced in 1992 by the Treaty of the European Union -, the European Commission has supported Member States to reduce the levels of youth unemployment for many years. Later, in the context of Europe 2020 Strategy, the "Youth on the Move" initiative was launched in September 2010.

On 20 December 2011, the Commission launched the "Youth Opportunities Initiative" (YOI), calling for immediate action to be taken in 2012 and 2013. The EU's aim was to support Member States in improving the employment and educational situation of young people by reviewing their policies and performance in the context of the European Semester surveillance process, and by mobilising the EU structural funds, in particular the European Social Fund (ESF), for actions at reducing levels of youth unemployment.

In April 2013, the Council recommended the Member States to provide a "Youth Guarantee", to the effect that they would ensure that all young people under the age of 25 received a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed.

The primary responsibility for tackling youth unemployment policy lies with Member States, at national, regional and local levels (article 145 of the TFEU). The EU's role in employment policy is to coordinate the Member States' employment policies and to support and, if necessary, complement their action. Moreover, the objective of a high level of employment has to be taken into account in the formulation and implementation of EU policies and activities.

In the context of the European Employment Strategy, reinforced in 2011 by the European Semester of economic governance, the Commission also has a role in proposing country specific recommendations to the Council, which concern inter alia the employment policies of the Member States.

### Youth Actions Teams

As part of the YOI, the Commission proposed that Member States develop and implement comprehensive initiatives for youth employment, education and skills, and introduce Youth Action Plans into their National Reform Programmes. The Commission also put forward the idea of setting up "Youth Action Teams (YAT), to help the eight Member States (Ireland, Greece, Spain, Italy, Latvia, Lithuania, Portugal and Slovakia) with the highest levels of youth unemployment (those MS had rates of youth unemployment around 30% or above at the end of 2011) to mobilise EU funding - ESF in particular - that was still available under the 2007-2013 programming period to support job opportunities for young people and help SMEs access funds.

Member States were selected on the basis of youth unemployment rates and no consideration was given to the funding available for reprogramming when selecting the eight Member

States.

The teams were composed of experts from the competent national authorities and from the Commission and had to work with the national partners on targeted actions to deliver fast and effective results on combating youth unemployment and helping SMEs to have access to loan and grant financing. The Action Teams were set up in February 2012 and they held meetings in the eight Member States between 14 and 28 February 2012.

### European Social Fund

The ESF Regulation stipulates that it shall contribute towards the EU's priorities with regards to strengthening economic and social cohesion by improving employment and job opportunities, encouraging a high level of employment with more and better jobs.

The ESF operates under shared management and is implemented through national and regional multiannual Operational Programmes (OPs) prepared by the Member States and approved by the Commission. To implement the mobilisation of unused funds, the Commission and the Member States had to agree on changing the distribution of those funds from one priority to another. The transfer can be between OPs (two ESF OPs or one ESF and an ERDF OP), between priority axes of a given OP - both called reprogramming -, or within two different sub-parts of a given priority axis - the reallocation. The former requires a Commission Decision to amend the OP which is not the case of the latter but it requires the Management Authority to be asked to assess the budget reallocation involved.

In practice and as part of its monitoring responsibility, the Commission reviews the annual implementation reports prepared by the Managing Authorities and holds Annual Examination Meetings with them to examine the progress made in the implementation of the OPs, with a view to improving them.

With regard to the ESF budget for the 2007-2013 programme period, by the end of 2011, 22 billion euro in ESF funds had not been committed to concrete activities, and of this almost 10 billion euro were available for the YAT in those eight Member States.

According to the Commission evaluation in March 2014, the ESF resources reprogrammed and/or reallocated to specific actions for youth amounted to around 4.2 billion euro, of which 1.8 billion euro had been committed to projects which were ongoing at that time in the Member States. Around 1.2 million young people were likely to benefit from this support.

The audit scope was limited to the ESF related actions within the YATs initiative and examined whether the Commission had effectively fulfilled the advisory role envisaged in this initiative; whether the YATs had resulted in the Member States making proposals for a significant and targeted reprogramming of the funds available and the proposals had been assessed by the Commission in line with the objective of the YATs initiative; and whether adequate arrangements were established by the Commission to report on the follow-up of the initiative.

### **European Court of Auditors' (ECA) observations**

The Court of Auditors' special report examined the performance and financial information available to the Commission on ESF measures for young unemployed people and the

preparatory action of the Commission prior to the YATs meetings.

First on the performance information, it derived from the regular monitoring and evaluation activities at national level which is partially set out in the EU funds legal framework. In addition, Member States were asked by the Commission to provide ad hoc information on a voluntary basis.

Monitoring the performance of a specific measure or project was the responsibility of the Managing Authority in the Member State. The Commission gathered and reviewed this monitoring and evaluation data on an on-going basis for individual Member States. During the 2007-2013 programme period, Member States also had a large discretion as to how they report aggregate performance information to the Commission. The regulation prescribed only one mandatory type of indicator which was output data for participants, corresponding in this case to the number of participants in ESF measures for people between 15 and 24 years of age. No result indicators were foreseen.

These existing arrangements did not allow for the Commission to obtain meaningful data on the results of the ESF interventions in the Member States and showed as well weaknesses in the quality and reliability of the ESF performance information reported by the Member States.

Still on performance information, the Commission carried out in 2010 an exercise aimed at identifying good practices for an efficient use of ESF money in order to increase youth employment opportunities and inspire the application of these practices more widely in the Member States' programmes. In the report drafted following the exercise, there are numerous examples but no analysis of which ESF measure should be considered 'good practices' or which resulted into an effective and efficient intervention.

As regards financial information, one of the difficulties lies with the fact that the ESF financial monitoring system for the 2007-2013 programming period does not allow for funding to be directly linked to specific target groups, such as young unemployed people but only by type of intervention. The reporting obligation on the financial execution lies on the Member States Managing Authorities and it was made on a quarterly basis. The audit showed that this reporting was not harmonised (based on exclusive national concepts) resulting into inaccurate and therefore inconsistent information.

In relation to the preparatory actions, the Commission prepared a template country fiche that, according to the Court, provided a general overview of the causes of high unemployment at Member State level and, to a certain extent, identified the groups of young people particularly affected by unemployment by age and level of education. However, the Court found that there was a varying degree of detail and little uniformity in the analysis regarding the age range of what constitutes a 'young person'. The gender, geographical location and type of disadvantages were not taken into consideration, and the country fiche did not include any analysis of the trends in skills and labour market needs by country and by sector (to reduce skills mismatch, for example).

The statements included in those fiches were generally vague and without time-bound. Moreover, while the country fiches did identify the groups of young people particularly affected by unemployment, the proposed ESF interventions therein did not always target them specifically (for example, initiatives addressed at young people with high education should be different from those targeting less qualified ones).

## Outcome of Youth Action Teams initiative

According to the Court's assessment, the YAT meetings provided proposals for ESF reprogramming and reallocation in general terms. It was not specified how existing instruments/programmes could be used more effectively to address youth unemployment. In addition the Court found that the Commission did not provide any technical guidelines for Member States on how to improve the targeting of funds in the implementation of their OPs (e.g. by defining the scope of the activities better).

Secondly, the Court considers that the YAT led to reprogramming and/or reallocation of ESF funds but it is difficult to get an overall figure due to several inconsistencies detected in the information provided by the Commission in relation to the amounts reallocated (e.g. the same amount is considered in two different reprogramming exercises).

Thirdly, the Commission's assessment of the ESF OP amendments proposed by the Member States focused mainly on budgetary aspects, rather than on the effectiveness of the proposed changes, i.e. the best use of ESF funds to help young people to find a job or increase their employability.

The Court noted as well that the Youth Action Plans were prepared with different levels of detail and limited reference to Youth Action Teams was made in the National Reform Programmes.

With regard to the Commission's monitoring and reporting on the results of the YATs initiative, the Court considers that the Commission's follow-up of the results of the YATs initiative was on the basis of the existing ESF monitoring arrangements. The Commission accepted the data presented by Member States without carrying out sufficient verification. Also some shortcomings were identified in the Commission's reporting particularly to the European Council: informal requests on ad hoc basis to obtain updates on a particular Member States or reprogramming/reallocation; examples of concrete actions or specific results of the YAT were sometimes not exhaustive and no effective checks of the information provided in a voluntary basis.

## **Conclusions**

The Court concluded that the effectiveness of the advisory support provided by the Commission to the Member States in relation to the YATs was limited by the level and quality of information available. Moreover, the Court considers that in their strategy, Member States focused mainly on budgetary aspects rather than on the best use of the ESF funds. Finally, there were shortcomings in how the Commission reported on the result of the YATs initiative until 2014.

The YAT initiative could not meet the high expectations raised at the 2012 European Council meeting because the Commission did not have an overview of the existing ESF-funded youth employment measures and which ones were successful in terms of their targeted and actual results at Member States level; and it did not have a complete and up-to-date information on the available ESF funding that could be potentially reprogrammed or reallocated.

As part of its preparatory action the Commission has prepared 'country fiches' for each of the eight Member States concerned. It has also coordinated the meetings of the YATs and

prepared operational conclusions in terms of ESF reprogramming and reallocation. While these were both positive contributions of the Commission, they were carried out subject to the limitations mentioned above.

Furthermore, the Court concludes that the youth action teams set up in the eight Member States made limited specific proposals on how to achieve results for young unemployed people. A broader-based, more sustained and longer-term initiative would be required to develop dedicated national youth action plans of the type envisaged by the Commission and enable Member States to use Structural Funds effectively to support their efforts to reduce the levels of youth unemployment.

### **ECA's recommendations**

In light of its findings and in order to improve the EU financial support to these kind of initiatives, the ECA recommends that:

1. For futures initiatives of this kind, the Commission should take due account of the possibilities and constraints given by the political and legal context, its specific knowledge and expertise of the area (based on the implementation of EU and nationally funded measure) and the availability of the financial resources at EU and Member States level;
2. For the 2014-2020 programme period, the Commission should: a) ensure that future reprogramming requests from Member States are triggered by an expectation of achieving better results rather than mainly resolving difficulties in absorbing EU funds; b) approve the Member States' requests for OP amendments only if the additional results to be obtained through the proposed budgetary transfers can reasonably be achieved; c) require Member States to report in sufficient detail both extraordinary transfers within Operational Programmes and changes within priorities in their annual implementation reports and present results achieved; d) participate actively in OP Monitoring Committees and encourage Member States to take the appropriate steps where it is clear from its assessment of the annual implementation reports that the targets will not be met;
3. When using data provided by Member States in its communications the Commission should ensure that minimum plausibility and reliability checks are systematically carried out.

### **European Commission's replies**

The Commission is of the view that the YAT, although as ad-hoc instrument, had the merit to put the youth unemployment high on the European political agenda. It met the political expectations set out by the European Council, it mobilise EU and national funds and it promoted discussion on policy reforms to be included in youth job plans. The teams were successful in raising awareness, creating a sense of urgency and giving a strong steer to pave the way for new initiatives to combat youth unemployment.

With regard to the recommendations, the Commission accepts them and confirmed that they were taken into consideration and were already part of the regulatory framework for the 2014-2020 programming period.

### **Recommendations by the rapporteur:**

### The European Parliament:

1. Welcomes the Court's report, endorses its recommendations and is pleased that the Commission accepts these and will take them into account in future. Welcomes the fact that the Commission has implemented these recommendations in its 2014-2020 ESIF legal framework, thus providing for ensuring better value for money, i.e. via a performance framework and reserve, ex-ante conditionalities, common output and result indicators;
2. Notes that youth unemployment is a serious issue across the EU and appropriate resources from EU level and national level should be dedicated to tackling it. Strongly encourages EU Member States to utilise available EU support;
3. Notes that the Youth Action Teams was mainly a political exercise and announced as such from the outset, tasked with persuading National Governments to redirect unused funds to tackle youth unemployment, while at the same time not imposing additional administrative or/and legal procedures or allocating new funds;
4. Notes the politically difficult nature of this task and acknowledges the merit of the YATs of raising awareness on highest political level, bringing different political and administrative authorities together and convincing them to prioritise youth employment over other initiatives;
5. Stresses that a focus on performance and results is needed and is pleased that the new regulatory framework for the 2014-2020 programming period includes provisions for reporting on results from Member States;
6. Looks forward to the Court's report on 'EU Youth Guarantee - Implementation in Member States', due to be completed in 2016 and suggests that the outcome should be taken into account for the mid-term review of the MFF.