

# EUROPEAN PARLIAMENT

2004



2009

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*Session document*

**A6-0116/2009**

4.3.2009

## **\*\*\*I** **REPORT**

on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1081/2006 on the European Social Fund to extend the types of costs eligible for a contribution from the ESF (COM(2008)0813 – C6-0454/2008 – 2008/0232(COD))

Committee on Employment and Social Affairs

Rapporteur: Karin Jöns

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases  
covered by Articles 105, 107, 161 and 300 of the EC Treaty and  
Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission.)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. In the case of amending acts, passages in an existing provision that the Commission has left unchanged, but that Parliament wishes to amend, are highlighted in **bold**. Any deletions that Parliament wishes to make in passages of this kind are indicated thus: [...]. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). Suggested corrections of this kind are subject to the agreement of the departments concerned.

## CONTENTS

	<b>Page</b>
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION .....	5
EXPLANATORY STATEMENT .....	6
OPINION OF THE COMMITTEE ON BUDGETS .....	8
OPINION OF THE COMMITTEE ON REGIONAL DEVELOPMENT.....	11
PROCEDURE.....	14



## **DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION**

**on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1081/2006 on the European Social Fund to extend the types of costs eligible for a contribution from the ESF (COM(2008)0813 – C6-0454/2008 – 2008/0232(COD))**

**(Codecision procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to the European Parliament and the Council (COM(2008)0813),
  - having regard to Article 251(2) and Article 148 of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C6-0454/2008),
  - having regard to Rule 51 of its Rules of Procedure,
  - having regard to the report of the Committee on Employment and Social Affairs and the opinions of the Committee on Budgets and the Committee on Regional Development (A6-0116/2009),
1. Approves the Commission proposal;
  2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
  3. Instructs its President to forward its position to the Council and Commission.

## EXPLANATORY STATEMENT

The current financial crisis and economic downturn have a negative impact on public budgets. In numerous Member States growth has reduced significantly; in some it has even come to a halt. Unemployment figures are starting to rise. It is critically important in this context that the European Social Fund is used to its full potential to alleviate problems of the unemployed, in particular the most vulnerable, in the economic downturn.

The aim of the Commission proposal is to add a further, simpler, method of spending the European Social Fund, so that its contribution to addressing the economic and social challenges facing Europe can be faster and more effective.

On 15 June 2005 the committee on Employment and Social Affairs adopted its first reading report on the European Social Fund regulation EC n° 1081/2006, rapporteur was Mr. Silva Peneda. Already at that moment the committee identified the need for more simplification as a key issue for the Structural Funds in general and for the ESF in particular. This committee position was confirmed by the vote in Plenary on 6 July 2005.

The European Court of Auditors has also recommended a simplification of *"the basis of calculation of eligible cost, and making greater use of lump sum or flat rate payments instead of reimbursement of 'real costs'"*. However, payment of lump sums is not yet eligible within the ESF rules and flat rate payments are only possible for indirect costs.

The Commission proposal aims to extend the flat-rate financing (1) and to enable the use of lump sum payment systems (2):

(1) flat-rate payments on the basis of standard scales of unit cost:

In future, flat-rate payments will apply not only to indirect costs but also to direct costs or a mixture of the two.

The flat-rate payments are to be calculated by the Member States. No ceiling has been set. However, the calculations to be submitted must be *'fair, equitable and verifiable'*.

(2) lump sums:

Lump sums have been newly introduced. They may be applied to both direct and indirect costs up to a maximum of EUR 50 000.

As in the case of flat-rate payments, however, the calculations to be submitted must be *'fair, equitable and verifiable'* and are to be fixed by the Member States in advance.

The Commission will examine the systems for calculating flat-rate payments and lump sums developed by the Member States in advance, in a procedure similar to that used for flat-rate payments for indirect costs.

The rapporteur has held an intensive exchange of information with the Commission, the Member States and a large number of non-governmental organisations at European and national level, as well as with the European Parliament's Committee on Budgetary Control.

In the process, she found that the Commission's initiative has been widely welcomed as a step

towards administrative simplification. The rapporteur's initial concerns regarding the potential abuse of flat-rate payments owing to the absence of a ceiling have been allayed.

The four priority areas for action of the European Social Fund will remain with no changes:

- increasing adaptability of workers and enterprises;
- enhancing access to employment, preventing unemployment, prolonging working lives and increasing participation in the labour market;
- reinforcing social inclusion by promoting the integration in work of disadvantaged people and combating discrimination;
- promoting partnership for reform in the fields of employment and inclusion.

In addition to the above-mentioned priorities, the ESF will continue to support action to expand and improve investment in human capital, in particular by improving education and training systems, and action aimed at developing institutional capacity and the efficiency of public administrations, at national, regional and local level.

The Commission proposal does not alter either the attention devoted to the Union's commitment towards the elimination of inequalities between women and men, and promoting good governance. The involvement of the social partners remains of particular importance in the implementation of the Fund priorities, operations and in the partial re-programming of European Social Fund programmes.

The Commission proposal is limited to introducing a simplification into the operations of the European Social Fund to encourage the effective, efficient and fast uptake of available resources, without compromising the principles of sound financial management.

25.2.2009

## **OPINION OF THE COMMITTEE ON BUDGETS**

for the Committee on Employment and Social Affairs

on the proposal for a European Parliament and Council regulation amending Regulation (EC) No 1081/2006 on the European Social Fund to extend the types of costs eligible for a contribution from the ESF  
(COM(2008)0813 – C6-0454/2008 – 2008/0232(COD))

Rapporteur: Nathalie Griesbeck

### **SHORT JUSTIFICATION**

The financial and hence economic crisis facing Europe has given rise to increasing competitive pressure on businesses and had a negative impact on the state of public finances. The crisis has provoked a slowdown in growth and, in some cases, a recession. In addition, there has been a sharp increase in the number of unemployed.

In order to confront the serious problems of employment, the Commission is proposing measures aimed at promoting fast, effective use of the available ESF funds. It proposes a simplified way of using European Social Fund resources so that existing economic and social problems such as unemployment can be confronted and resolved more quickly and effectively.

#### **Position of the rapporteur**

The rapporteur welcomes the Commission proposal and stresses that the need to simplify the procedures concerning the operation and allocation of financing from the Structural Funds has been underlined by Parliament on several occasions.

The rapporteur believes that the proposal to extend the range of costs eligible for ESF interventions – such as lump sums and flat-rate standard scales of unit cost – will enable faster implementation of the Fund as it aims simultaneously to simplify the management, administration and control of operations benefiting from ESF cofunding.

The rapporteur emphasises that the delays recorded in implementation of the structural policy are due in part to overly restrictive procedures, which must be simplified.

In this regard, it should be noted that AB 6/2008 highlighted the serious delays recorded in the adoption of 9 OPs, which resulted in the reprogramming of the ERDF commitments, in



accordance with point 48 of the IIA.

This proposal for a legislative change, combined with the Commission proposal regarding simplification of the financial management of the funds set out in the regulation laying down general provisions, constitutes an appropriate response in the context of the current financial crisis and should facilitate implementation of the cohesion policy.

The rapporteur stresses the importance of granting management authorities, in the context of this simplification, appropriate means for the effective support of project promoters in order, for example, to encourage the expected leverage effects on the economy and employment opportunities from PPPs.

From a more strictly budgetary point of view, the rapporteur asks the Commission for information to be sent to the Committee on Budgets on the impact of this proposal on payments and outstanding commitments and, more generally, on the implementation of available appropriations for the current budget year, inter alia in the light of the mid-term review of the multiannual financial framework.

To conclude, given the urgent need to adopt these legislative changes, the rapporteur calls on the members of the Committee on Budgets to adopt the proposal as it stands, without requiring it to be amended.

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The Committee on Budgets calls on the Committee on Employment and Social Affairs, as the committee responsible, to propose approval of the Commission proposal.

## PROCEDURE

<b>Title</b>	New types of costs eligible for a contribution from the ESF (amendment of Regulation (EC) No 1081/2006 on the European Social Fund)
<b>References</b>	COM(2008)0813 – C6-0454/2008 – 2008/0232(COD)
<b>Committee responsible</b>	EMPL
<b>Opinion by</b> Date announced in plenary	BUDG 15.12.2008
<b>Rapporteur</b> Date appointed	Nathalie Griesbeck 20.9.2004
<b>Discussed in committee</b>	11.2.2009                      23.2.2009
<b>Date adopted</b>	23.2.2009
<b>Result of final vote</b>	+:        15 -:        0 0:        0
<b>Members present for the final vote</b>	Richard James Ashworth, Reimer Böge, Costas Botopoulos, Göran Färm, Vicente Miguel Garcés Ramón, Nathalie Griesbeck, Catherine Guy-Quint, Jutta Haug, Anne E. Jensen, Janusz Lewandowski, Vladimír Maňka, Gérard Onesta, László Surján, Kyösti Virrankoski, Ralf Walter

13.2.2009

## OPINION OF THE COMMITTEE ON REGIONAL DEVELOPMENT

for the Committee on Employment and Social Affairs

on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 1081/2006 on the European Social Fund to extend the types of costs eligible for a contribution from the ESF  
(COM(2008)0813 – C6-0454/2008 – 2008/0232(COD))

Rapporteur: Jamila Madeira

### SHORT JUSTIFICATION

In response to the global financial crisis, the Commission has presented Member States with a European economic recovery plan. EU Heads of State and Government having confirmed the need for a coordinated response, the Commission on 26 November 2008 published a communication entitled '**A European economic recovery plan**'; this states that cohesion policy contributes significantly to public investment by Member States and regions and should function as a means of recovery from the present crisis.

The European economic recovery plan specifically proposes that measures be adopted in the priority areas of the Lisbon Strategy so as to achieve growth and employment. All the instruments deployed seek to attain this objective and achieve results more quickly. Thus the extension of the scope of the European Globalisation Adjustment Fund and the greater flexibility of the European Social Fund (ESF) are particularly intended to respond to the many cases of social and economic emergency in which help is needed. We remain convinced that the more complementary its actions and scope, the more effective it will be.

The European Social Fund supports policies and priorities which seek to make progress in achieving full employment, improving the quality and productivity of work and promoting social inclusion and cohesion and has a crucial role to play in carrying out the measures provided for in this European economic recovery plan.

Given that no provision has been made for any new funds to be made available or for new lines of action on the ground, it is particularly important that the full potential of the European Social Fund be fully exploited to solve problems in fighting unemployment and the rapidly increasing pressure of competitiveness on Europe's economy as a result of the present

financial crisis and economic downturn.

It is against this background that the Commission's proposal seeks to simplify the methods governing the management and utilisation of European Social Fund co-funding in order to promote a more effective, efficient and rapid use of the available resources to help Member States and regions confronted by the economic crisis.

It should be stressed that the European Parliament and the Committee on Regional Development (REGI) have repeatedly identified simplification as the key to improving the management and implementation of Structural Funds.

It is worth recalling that the Court of Auditors in its annual report on the implementation of the 2007 budget also recommended simplifying *'the basis of calculation of eligible costs and making greater use of lump sum or flat rate payments instead of reimbursement of "real costs"'*<sup>1</sup>.

Flat-rate payments from the ESF have been possible for indirect costs since 2007; however, payment of lump sums is not yet eligible within the ESF rules.

In this connection this proposal aims to extend flat-rate financing to direct costs, to widen its scope to scales of standardised units of cost and to enable the use of lump sum payment systems.

The Commission's proposal thus follows the proposals already formulated by the Committee on Regional Development insofar as it is tailored to meet the interests of those involved in the Member States.

In view of the urgent need to implement the proposals put forward, the European Parliament has been asked to adopt its position as expeditiously as possible. The European Parliament has never shrunk from assuming its political responsibilities. In this context, despite the wide range of views elicited by this topic, in order to ensure that the procedure makes rapid progress and that citizens enjoy real benefits as claimed by the proposal, the European Parliament will refrain, for the time being, from putting forward new proposals and amendments. However, it is keenly aware of the need to set in motion at this early stage a process of assessing this fund in conjunction with the Commission with a view to a supplementary review to be undertaken at the earliest opportunity.

The Committee on Regional Development therefore approves this Commission proposal.

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The Committee on Regional Development calls on the Committee on Employment and Social Affairs, as the committee responsible, to propose approval of the Commission proposal.

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<sup>1</sup> Official Journal of the European Union - C 286, volume 51, of 10 November 2008, Annual Report of the Court of Auditors on the implementation of the budget concerning the financial year 2007, together with the institutions' replies, Chapter 2, point 42.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Title</b>	New types of costs eligible for a contribution from the ESF (amendment of Regulation (EC) No 1081/2006 on the European Social Fund)
<b>References</b>	COM(2008)0813 – C6-0454/2008 – 2008/0232(COD)
<b>Committee responsible</b>	EMPL
<b>Opinion by</b> Date announced in plenary	REGI 15.1.2009
<b>Drafts(wo)man</b> Date appointed	Jamila Madeira 19.1.2009
<b>Discussed in committee</b>	19.1.2009
<b>Date adopted</b>	12.2.2009
<b>Result of final vote</b>	+: 42 –: 0 0: 0
<b>Members present for the final vote</b>	Emmanouil Angelakas, Stavros Arnautakis, Elspeth Attwooll, Rolf Berend, Victor Boștinaru, Wolfgang Bulfon, Giorgio Carollo, Bairbre de Brún, Gerardo Galeote, Iratxe García Pérez, Monica Giuntini, Ambroise Guellec, Gábor Harangozó, Filiz Hakaeva Hyusmenova, Mieczysław Edmund Janowski, Gisela Kallenbach, Evgeni Kirilov, Miloš Koterec, Constanze Angela Krehl, Florencio Luque Aguilar, Jamila Madeira, Iosif Matula, Miroslav Mikolášik, Lambert van Nistelrooij, Jan Olbrycht, Maria Petre, Markus Pieper, Giovanni Robusti, Wojciech Roszkowski, Catherine Stihler, Margie Sudre, Oldřich Vlasák
<b>Substitute(s) present for the final vote</b>	Emanuel Jardim Fernandes, Zita Pleštinská, Samuli Pohjamo, Christa Prets, Flaviu Călin Rus, Richard Seeber, László Surján, Iuliu Winkler
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Sepp Kusstatscher, Toine Manders

## PROCEDURE

<b>Title</b>	New types of costs eligible for a contribution from the ESF (amendment of Regulation (EC) No 1081/2006 on the European Social Fund)		
<b>References</b>	COM(2008)0813 – C6-0454/2008 – 2008/0232(COD)		
<b>Date submitted to Parliament</b>	26.11.2008		
<b>Committee responsible</b> Date announced in plenary	EMPL 15.12.2008		
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	BUDG 15.12.2008	CONT 15.12.2008	REGI 15.1.2009
<b>Not delivering opinions</b> Date of decision	CONT 20.1.2009		
<b>Rapporteur(s)</b> Date appointed	Karin Jöns 2.12.2008		
<b>Discussed in committee</b>	11.2.2009	2.3.2009	
<b>Date adopted</b>	2.3.2009		
<b>Result of final vote</b>	+: -: 0:	38 2 0	
<b>Members present for the final vote</b>	Jan Andersson, Edit Bauer, Iles Braghetto, Philip Bushill-Matthews, Milan Cabrnoch, Alejandro Cercas, Luigi Cocilovo, Jean Louis Cottigny, Jan Cremers, Richard Falbr, Joel Hasse Ferreira, Roger Helmer, Karin Jöns, Jean Lambert, Bernard Lehideux, Elizabeth Lynne, Thomas Mann, Siiri Oviir, Rovana Plumb, Bilyana Ilieva Raeva, Elisabeth Schroedter, Gabriele Stauner, Ewa Tomaszewska, Anne Van Lancker, Gabriele Zimmer		
<b>Substitute(s) present for the final vote</b>	Françoise Castex, Gabriela Crețu, Donata Gottardi, Anna Ibrisagic, Rumiana Jeleva, Sepp Kusstatscher, Jamila Madeira, Viktória Mohácsi, Georgios Toussas		
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Glenn Bedingfield, Herbert Bösch, Maddalena Calia, Ljudmila Novak, Gianluca Susta, Silvia-Adriana Țicău		