

ESF COMMITTEE AD-HOC GROUP ON THE FUTURE OF THE ESF

Draft overview of the discussions of the second meeting

Brussels, 20 January 2010

1. Introduction

The second meeting of the Ad-Hoc Group on the future of the ESF took place in Brussels on 20 January 2010. It was attended by experts from 26 MS and representatives from the European social partners.

The objective of the meeting of the Ad-Hoc Group on the Future of the ESF was to discuss the future delivery systems for implementing the European Social Fund. In addition, in order to ensure that all the voices from colleagues who were absent during the first meeting of the Ad-Hoc Group were taken into consideration, there was an opportunity to express their views on the subjects which were touched upon during the December session.

The discussion focused mainly on questions included in the discussion paper. Members of the Ad-Hoc Group also used the opportunity to present their views on more general issues concerning the future of the ESF.

2. European Added Value and geographical coverage

The format for reporting the discussions held was found appropriate and is therefore to be used for all subsequent meetings.

The following additional points came from the discussions:

- While a majority of experts agree that there is EAV of the ESF across the Member States, it is not self-evident;
- The subsidiarity test in the issue paper needs strengthening, one expert will propose a drafting suggestion;
- Process effects should also make reference to the commitment underpinning policies over a longer period as a result of multi-annual budgeting;
- The EAV is also dependent on coordination with other Community policies and instruments in general and the Cohesion instruments in particular.

3. Delivery systems

The necessity to discuss the future delivery system stems from the fact that the current system of the Structural Funds under shared management is heavily criticised and perceived as an

overly complex one, requiring a lot of human resources for financial management and still not providing the necessary assurance that funds are always spent in a proper manner.

During the meeting, the participants expressed their opinions on the advantages and disadvantages of three broad typical scenarios described in the discussion paper:

- a. refunding on the basis of actual expenditure by operations;
- b. payment to the MA on the basis of operation outputs;
- c. system combining elements of budget support and results-based management of programmes.

General remarks:

- There was a broad agreement that the three requirements of the ESF delivery systems presented in the discussion paper (achieving the objectives set by the strategic framework, maintaining a low error rate, timely spending of the financial resources) should be considered important on equal footing. A majority of the experts present also shared the view that ensuring visibility was important though several pointed out that this should not necessarily be of the ESF as such;
- Most experts also felt that reinforcing partnership should be highlighted as a requirement for any future system;
- The future delivery systems should be simple, efficient, flexible and adaptable to all the Member States. When designing the future system there is a need to take into account that beneficiaries are interested in stable, clear and predictable rules. Also one should consider introducing more flexible solutions while designing future delivery modes in order to respond better to changes (e.g. the crisis-related situation);
- In case the current delivery systems are to undergo a fundamental change, preparatory work should start early. New solutions should be presented to the vast group of stakeholders and tested as soon as possible;
- The present system was criticised by almost all experts as being complicated, bureaucratic and burdensome. There are too many controls and audit levels. Instead of this "audit-driven approach", management should be more focused on elaborating conditions for rational spending and better evaluation. However, the experts acknowledged that audits are necessary and that moreover audit results (especially negative ones like error rates) are used in public and political debates against the Fund. The Ad-Hoc Group came to the consensual view that there is a need to explore ways to draw political attention to actual delivery and effects of programme implementation;
- Some views questioned the 2% materiality error rate threshold;
- In order to ensure the smoothest possible running of programmes and to diminish error rates, there is a need to intensify competence building at all implementing levels. Many experts stated that the future audit system should satisfy all parties involved in the process.

Future delivery system:

- Some experts observed that efforts aimed at simplifying often turn out to be complications, at least at the very beginning of implementation;
- Several experts felt that the future delivery systems might combine elements of the scenario "a" (status quo - reimbursement on the basis of real costs to the MA) and scenario "b" (reimbursement on the basis of outputs produced by operations). Also different systems might be applied to different types of operations: scenario "a" for more innovative operations and scenario "b" for well established "traditional" operations. In this

context, several delegates expressed the view that there is a need for developing a list of common core indicators;

- A more radical change of the system (scenario "c"), met in general with increased scepticism relating to the potential real simplification impact of such a system and its feasibility on the ground. The main criticism concerned the difficulty of measuring the outcomes of the actions (some of them are visible only in the long term), possible loss of ESF visibility and the necessity for long and complicated preparatory work. The scenario "c" would imply performance audit and changing the approach to using indicators;
- Many experts of the group, especially from smaller Member States, highlighted the need for consistency between the different Funds, while respecting the specificities of each of them. In their views the ESF should not be regarded in isolation from other structural instruments within the cohesion context and their delivery should be better coordinated.

Proportionality and automatic decommitment:

- There was a large consensus about a broader application of the proportionality principle but there was otherwise no clear view on how this could be achieved.
- Most experts considered it important to maintain the automatic decommitment rule for reasons of financial discipline but that this rule had to be improved. This could entail the same rule for a longer period (N+3) to all MS, taking into account the always slower start-up of the programmes. It was also suggested to exempt some type of activities such as innovative actions.

Follow-up

→ In general, the ad-hoc group felt that the different scenarios would need to be more detailed to allow for more in-depth discussions. The Commission agreed to this and will prepare and circulate an additional paper well in advance of the next meeting on 2 March 2010.

→ Several experts also expressed the need for clear definitions of terms such as "output", "outcome" and "result" used in the discussion paper. Definitions are given below.

CONCEPT	DEFINITIONS
Indicator	A characteristic or an attribute which can be measured to assess an intervention in terms of its output or impacts.
Input	The human and financial resources involved in the implementation of an intervention.
Output	That which is financed (or concretised) with the money allocated to an intervention. The good and services produced by an intervention.
Result	The (immediate) effects on the direct beneficiaries of the actions financed. The initial impact of an intervention.
Impact	A general term to describe the effects of an intervention on society. Impacts can be either positive or negative and foreseen or unforeseen. Initial impacts are called results, whilst longer-term impacts are called outcomes.
Outcome	The longer term impacts, usually expressed in terms of broad socio-economic consequences, which can be attributed to an intervention.