

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

## **Draft overview of the discussions of the third meeting**

**Brussels, 03 March 2010**

### **1. Introduction**

The third meeting of the Ad-Hoc Group on the future of the ESF took place in Brussels on 3 March 2010. It was attended by experts from 25 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 further the future delivery systems for implementing the European Social Fund. In addition the group was informed about the work of the DG Regional Policy's High Level Group on the Future of the Cohesion Policy and about the state of play of the revision of the Financial Regulation

### **2. Preliminary remarks**

A number of experts pointed out the need to clearly emphasize the ad-hoc group's informal status. Several of the experts sit in other configurations (for the ESF Committee, the High Level Group on the future of the Cohesion Policy...) in which they present their governments views.

- *It was reconfirmed that the Ad Hoc Group is informal and aims at providing a forum for discussions. It is not intended to take formal positions.*

### **3. Draft conclusions of the meeting held on 20 January 2010**

There were two comments on the draft conclusions:

1. The principle of shared management is not under discussion and therefore the first sentence of paragraph 3 should read as follows:

"The necessity to discuss the future delivery system stems from the fact that the current system of the Structural Funds 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."

2. The definition of "outcomes" was questioned. The concept outcome was not used in the issue paper. The Commission proposed to delete that definition from the overview.

#### **4. Regio HLG**

The Commission provided a feed-back on the discussions held so far in the High Level Group. This group also is to provide a forum to discuss options and exert opinions on the future of the cohesion policy. It will not issue a formal opinion. Yet the following are points on which there seemed to be a broad agreement:

1. the need for a territorial development policy;
2. the concentration of resources though accompanied with some flexibility for policy mix;
3. the need to improve coherence between Cohesion policy and other EU policies,
4. the necessity to focus on results, but conditionality for payments not wanted, maybe performance reserve,
5. the lack of ownership of Lisbon on regional level.

The discussion centred on the relation between the cohesion policy and Europe 2020 and earmarking.

#### **5. SWOT analyses of the scenarios in the issue paper**

The Commission circulated draft summaries of the SWOT analyses of the three scenarios contained in the issue paper. In total the Commission had received 17 contributions by Monday 01 March. The major points were:

- The SWOT analyses should be conceived as a mapping of what is known or assumed for each scenario. They are not to be seen as decision making or comparison tools. Moreover, no stakeholder is required to indicate preferences for any scenario.
- In general the experts felt that the summaries did reflect their views and contributions. However, there is a need to stress that only scenario A is known. The SWOT analyses for the scenarios B and C are largely based on assumptions and informed guesses.
- Several experts pointed out the possibility to differentiate delivery systems according to the type of interventions or objectives. The logical sequence would be for the discussions would be to focus on objectives, strategy before the delivery systems. This was not possible until the Commission had presented its Europe 2020 proposals. Nevertheless, the discussion is not about choosing a system but about identifying the major characteristics of each broad type, it remains valid.
- The following points not covered by the SWOTs were raised:
  - The ESF should not be more difficult or bureaucratic than national funds dealing with similar issues;
  - Reporting should be simplified;
  - A major issue across all scenarios is that of legal certainty. What ever be the ultimate scenario, all stakeholders need certainty about all aspects and notably the eligibility of operations, the audit trail and required documentation. There

are still uncertainties on how auditors will check lump sum and standard scale of unit costs.

- One must also consider the impact these scenarios might have on (i) the audit trail and (ii) on the final beneficiaries.
- Regarding specifically scenario A, several interventions stressed that it did not miss out completely on quality as outputs and results are monitored;
- Regarding specifically scenario C, several experts were of the opinion that payment should not be based on results - if agreed results are not met, this should only lead to a reprogramming of the OP. One expert also referred to World Bank and OECD work showing that purely results based management does not work.

➤ *The Commission will circulate the compilation of the contributions received as well draft summaries of the SWOT analyses to the members of the ad hoc group. Experts are invited to comments on the summaries in Track Change in time for the Commission to prepare an interim report to the ESF Committee.*

## 6. Revision of the financial regulation

The Commission presented the state of play on the revision of the financial regulation, notably the aspects linked to shared management. A proposal to be adopted by the Commission in May would see all shared management funds adopt a similar structure based on the present system of national assurance and annual clearance of accounts used for the agricultural funds.

This point was for information only and no documents were distributed. Nevertheless several experts with experience with the agriculture systems pointed to major problems including: very high cost of controls (up to 10%), a high error rate for axes without highly standardised interventions, stifling of innovations, a very complex regulation, a focus on ex-post controls and therefore huge legal uncertainty.

## 7. Strategic approach, programming documents, proportionality, error rates

The experts considered that simplification should be the core consideration.

- It should be possible to do with *fewer levels of strategic documents* and *less reporting*, notably the community strategic guidelines were mentioned as being superfluous. The core documents would be Europe 2020 and the OPs which would need to tell how the programme expects to contribute to it. Some experts – generally from "small" member states – even considered the possibility to have one single EU multi fund programme. In general earmarking and categorisation were not deemed to be sufficient to demonstrate the link between the OPs and the EU strategy.

Some other experts – generally from member states with many programmes - felt necessary to have a national document above the level of the current OPs in order to ensure coordination or at least to have option to use such a "*single strategic*

*framework*" where deemed necessary. This could then cover all interventions from all funds and require only a single reporting.

The strategic reporting should not be making the artificial distinction between national and EU funds given the difficulty to distinguish between the respective impacts. Most of the experts considered that the reporting requirements should be reduced to the strictly necessary ones. Some also proposed to keep the differentiation between strategic reporting and reporting of the implementation of the programmes, but this was not generally shared.

- All interventions stressed the need for *the OPs to be more strategic, more focused on results*. One possibility envisaged was to have two parts, one to depict the strategy and the quantitative targets to be achieved, how the programme is to contribute to the Europe 2020 strategy and a second one to list the concrete measures envisaged. However the actual implementation of these measures would be left to national legislation and would not be covered by the formal decision on the OP.

Some interventions called for the development of a set of *core indicators* linked to a list of actions eligible for ESF funding or/and to the expected results. This would enhance the visibility from the ESF and would facilitate comparison between programmes. Others felt that such a list might not be exhaustive and could be difficult to define. Therefore there would still be a need for specific indicators.

Moreover actual targets are to be set at the level of the OP in line with the strategies of the OP.

- The wider application of the *proportionality* principle was agreed by all but discussions should go on to identify concrete proposals for its implementation.

A first set of proposals were related to proportional control and audit provisions. One such proposal was to limit the number of audits of a project below a given threshold to one. Should the same project come up in another sample no new audit should be taken. Another is to take into account past performance of the beneficiaries, intermediate bodies or even MS. It was also proposed to modulate the level of control according to the error rate of the programme in the past.

There was also a broad consensus to have a proportionality principle linked to the size of the Programme or the country.

It was also proposed to introduce proportionality in the eligibility rules and in retention of documents.

- The target of less than 2 % *error rate* as materiality threshold was questioned. The reduction of the error rates via additional audits was in doubt. The major source of errors was due to the fact that rules are not well known or were unclear at the start of the programme. This is not only a problem within the MS. Different auditors may have different views and come to different conclusions. There was a need to check the conformity of the auditors' interpretation. The solution therefore should be sought in further simplifications, in explaining rules ex-ante and, for some of the experts, in the increase of ex-ante audits by the Commission.

- *The Commission concluded taking stock of the points and proposals made. It reminded the experts that while the need for an assurance model, an audit trail and reporting are not negotiable, the way to reach them and all other issues are.*

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