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PROPOSAL

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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the European Social Fund Plus (ESF+)

{SEC(2018) 273 final} - {SWD(2018) 289 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Europe is at a crucial point in time where its relevance and success in the decades to come will be determined by its ability to remain competitive in the global economy and ensure high levels of employment, education and training, health, social inclusion and active participation in society. Making Europe competitive, cohesive and resilient in the future means investing in its people now: in their education and training, skills, creativity, potential to create businesses and to innovate, and in their health.

Furthermore, a number of challenges remain significant. Despite improvements, tackling unemployment and persistently high rates of poverty remains a priority throughout the EU. Social and employment issues are a primary concern of European citizens, and an area where more is expected from the Union. Additional challenges that the Union faces are related to:

- shortfalls in skill levels,
- under-performance in active labour market policy and education systems,
- challenges arising from new technology such as automation and the related new forms of work,
- social exclusion of marginalised groups including Roma and migrants,
- and low labour mobility.

There is a need both for policy initiatives and for targeted supporting actions to address these challenges.

As a response to the call from our citizens to enhance the social dimension of the Union, on 17 November 2017 the European Parliament, the Council and the Commission jointly proclaimed the European Pillar of Social Rights. It is now important that the European institutions and the Member States work together to deliver on the principles and rights enshrined in the Pillar.

On 2 May 2018, the Commission adopted a proposal for the next multi-annual financial framework for 2021-2027[1]. The proposal reflects the current social and economic context and provides a concrete response to the call from the European public for a more social Europe and for greater investment in people in the European Union.

In this context, this proposal includes the European Social Fund Plus (ESF+) as the EU's main instrument to invest in people and to implement the European Pillar of Social Rights. The ESF+ merges the following funds and programmes:

- the European Social Fund (ESF) and the Youth Employment Initiative (YEI);
- the Fund for European Aid to the Most Deprived (FEAD);
- the Employment and Social Innovation (EaSI) programme and
- the Programme for the Union's action in the field of health (the Health Programme).

The aim of merging the above funds is threefold:

[1] Reference, COM(2018) 322 final, 2.5.2018.

- To enhance coherence and synergies between complimentary EU instruments which provide important support to people and which aim to improve their standards of living, by developing more integrated approaches to programming and implementation.
- To increase flexibility and to allow the funds to be more responsive to the challenges identified in the economic governance cycle and to EU-level priorities.
- To allow simplification of fund programming and management thus reducing the administrative burden for authorities and beneficiaries.

Therefore, the ESF+ will help build an empowering social Europe and contribute to economic, social and territorial cohesion in accordance with Article 174 TFEU, which is a necessary condition for the proper functioning of the EU as a stable and viable economic and political union.

This overall proposal provides for a date of application as of 1 January 2021 and is presented for a Union of 27 Member States, in line with the notification by the United Kingdom of its intention to withdraw from the European Union and Euratom based on Article 50 of the Treaty on European Union received by the European Council on 29 March 2017.

- **Consistency with existing policy provisions in the policy area**

The ESF+ supports policies and priorities which aim to help create full employment, enhance quality and productivity at work, increase the geographical and occupational mobility of workers within the Union, improve education and training systems, and promote social inclusion and health.

The overarching policy objective of the ESF+ Regulation is help create a more performing and resilient 'Social Europe' and implement the European Pillar of Social Rights, as well as the social and employment priorities endorsed by the European economic governance process. The ESF+ will contribute to implementing the Integrated Guidelines adopted in accordance with Articles 121 and 148(4) of the Treaty on the Functioning of the European Union (TFEU) and the relevant country-specific recommendations adopted in the context of the European semester, and feed into the overall objective of smart, inclusive and sustainable growth beyond 2030 (the UN's sustainable development goals[2]) and upward convergence. Furthermore, the ESF+ will help to improve employment opportunities, raise the standard of living and health, and help increase labour mobility and economic, social and territorial cohesion as set out in the TFEU and the EU Charter of Fundamental Rights. The ESF+ also aims to contribute to the Skills Agenda for Europe and the integration of third country nationals.

Setting a minimum share and amounts for the ESF+ under shared management as one of the Structural Funds will ensure that the EU's priorities described above are adequately reflected in the volume of investment that directly target European citizens.

- **Consistency with other Union policies**

The ESF+ aims to improve synergies and coherence with other funds investing in human capital development. The ESF+ should in particular ensure complementarities and synergies with the European Regional Development Fund, the Cohesion Fund, the European Maritime and Fisheries Fund, the European Globalisation Adjustment Fund (EGF), the Erasmus

[2] United Nations Resolution adopted on 25 September 2015, http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E

Programme and the European Solidarity Corps, the Asylum and Migration Fund (AMIF), as well as with the Horizon Europe Programme and the Digital Europe Programme, the Reform Support Programme, including the Reform Delivery Tool.

The ESF+ and EGF will continue to complement each other, as the ESF+ will continue to support preventive and anticipatory measures, while the EGF will remain a reactive emergency fund outside the MFF.

The ESF+ and Erasmus are active in similar fields, notably helping people gain new skills, upskilling to answer the need of industrial sectors[3], improving digital competences and quality of education and training. Cooperation between the ESF+ and Erasmus will therefore be enhanced. The exact nature of the cooperation will be further detailed in the work programmes and programme guides for ESF+ and Erasmus, thus allowing for effective and efficient synergies.

The ESF+ will also continue to support the mid and long-term integration of third country nationals in complementarity to the AMF, which will cover short-term needs.

The shared management strand of the ESF+ will continue to be part of cohesion policy and it will mainly be regulated by the Common Provisions Regulation (CPR). As such, the same rules on management, programming, monitoring, auditing, etc. will apply as for most of the other Funds under shared management. Programmes in Member States can continue to combine European Regional Development Fund (ERDF) funding and ESF+ funding through multi-fund programmes.

For the Health strand, an adequate governance structure will provide strategic guidelines and technical opinions on measures to support and implement the strand. It will also help in coordinating complementary support lines of the research, digital market, regional and cohesion funds, and others.

The Commission proposal for the 2021-2027 Multiannual Financial Framework set a more ambitious goal for climate mainstreaming across all EU programmes, with an overall target of 25% of EU expenditure contributing to climate objectives. The contribution of this programme to the achievement of this overall target will be tracked through an EU climate marker system at an appropriate level of disaggregation, including the use of more precise methodologies where these are available. The Commission will continue to present the information annually in terms of commitment appropriations in the context of the annual draft budget.

To support the full utilisation of the potential of the programme to contribute to climate objectives, the Commission will seek to identify relevant actions throughout the programme preparation, implementation, review and evaluation processes.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

Titles IX (Employment), X (Social policy) and XIV (Public health) of the Treaty on the Functioning of the European Union (TFEU), in particular, Articles 46, 149, 153, 162 to 166, 168, 174, 175 and 349 of TFEU, provide the legal framework for the measures covered by this proposal.

[3] In line with the Blueprint for Sectoral Cooperation on Skills, key action of the Skills Agenda for Europe.

The ESF+ has three strands. The first strand, implemented under shared management, covers the (ex-) ESF, which is based on Articles 162 and 164 TFEU and basic material assistance to the most deprived people, under Article 175(3) TFEU. The second strand, implemented under direct and indirect management, covers actions promoting employment and social innovation (EaSI), based on Article 175(3) TFEU. The third strand, implemented under direct management, concerns incentive measures designed to protect and improve human health under Article 168 TFEU.

This proposal defines the general objectives of the ESF+ and the scope of support, which is translated into specific objectives. It lays down common provisions, applicable to the three strands, and specific provisions for each strand.

Additionally, the Commission adopted on 29 May 2018 a proposal for a 'Common Provisions' Regulation in order to improve the coordination and harmonise the implementation of support under shared management, with the main aim of simplifying policy delivery. The ESF+ strand under shared management is covered by these common provisions.

The different Funds in shared management pursue complementary objectives and share the same management mode, therefore Regulation (EU) No [Regulation laying down Common Provisions] sets out a series of common general objectives and general principles such as partnership and multi-level governance. That Regulation also contains the common elements of strategic planning and programming, including provisions on the Partnership Agreement to be concluded with each Member State, and sets out a common approach to the performance orientation of the Funds. Accordingly, it includes enabling conditions, performance review and arrangements for monitoring, reporting and evaluation. Common provisions are also set out with regard to eligibility rules, and special arrangements are defined for financial instruments, the use of the InvestEU Fund, community-led local development and financial management. Some management and control arrangements are also common to all Funds.

- **Subsidiarity (for non-exclusive competence)**

In the areas of social and employment policy and public health, the EU has either shared competence with Member States (Article 4 TFEU), competence to lay down arrangements within which they must coordinate their action (Article 5 TFEU) or competence to carry out actions to support, coordinate or supplement the actions of the Member States (Article 6 TFEU).

The ESF+ under shared management strand is underpinned by the subsidiarity principle. Under shared management, the Commission delegates strategic programming and implementation tasks to the EU Member States and regions. It also limits EU action to what is necessary to achieve its objectives as laid down in the Treaties. Shared management aims to ensure that decisions are taken as closely as possible to the citizen and that EU-level action is justified in light of the possibilities and specificities at national, regional or local level. Shared management brings Europe closer to its citizens and connects local needs with European objectives.[4] Moreover, it increases ownership of EU objectives, as Member States and the Commission share decision-making power and responsibility.

The subsidiarity principle also underpins the two strands under direct and indirect management. The EaSI strand will focus on projects with an innovative dimension in which

[4] High Level Expert Group monitoring simplification for beneficiaries of ESI Funds (2017), " Key recommendations of the High Level Group on Simplification for the post 2020 Cohesion Policy", available at: http://ec.europa.eu/regional_policy/en/information/publications/reports/2017/esif-simplification-hlg-proposal-for-policymakers-for-post-2020.

there is clear EU added value, meaning that EU action is more effective than action taken at national, regional or local level to reach critical mass and reduce administrative burden. The Health strand recognises the EU dimension of health and complements and supports Member States health policies while respecting their competence in the area, in line with Article 168 TFEU.

- **Proportionality**

In accordance with the principle of proportionality, this proposal does not go beyond what is necessary to achieve its goals. The principle of proportionality has guided the Commission's proposal because it proposes further simplification in line with the recommendations of the High Level Group on monitoring simplification for beneficiaries of ESI Funds.[5] The proposal is proportional as it has unified and consolidated rules and merges the Funds, therefore reducing the burden on stakeholders. The administrative burden on the Union and on the national authorities has been limited to what is necessary for the Commission to exercise its responsibility for implementing the Union budget.

- **Choice of the instrument**

The choice of instrument is a Regulation of the European Parliament and the Council to establish the European Social Fund Plus.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

  – ***The European Social Fund (ESF)***

Strengths: The 2000-2006[6] and 2007-2013 ESF ex-post evaluations[7] recognise ESF investment as relevant, efficient and effective. The Fund was effective in reaching a significant number of EU citizens, in particular those most in need of support. This was because the ESF provided significant financial resources to address employment and social challenges in Member States and broadened existing action by supporting policy areas or groups that would not otherwise have received support. Furthermore, the ESF has supported local/regional innovations that are then mainstreamed at national level. In 2014-2020, the intervention logics of the programmes have become more robust with clearer specific objectives, more standardised indicator definitions and sounder baselines and targets.

Weaknesses:

– *Policy alignment:* while the Fund's link to the European Semester improved significantly in the 2014-2020 programming period[8], it is not yet optimal.

– *Programming:* evidence showed that in 2014-2020 result orientation was strengthened but the performance framework has not proved to be a sufficient

[5] Ibid.

[6] http://ec.europa.eu/social/BlobServlet?docId=6470&langId=en

[7] *Ex-post evaluation of the 2007-2013 ESF Programmes*, Commission Staff Working Document (SWD(2016)452 final, 12.12.2016)

[8] Study on the support of ESI Funds to the implementation of the Country-Specific Recommendations and to structural reforms in Member States.

incentive for Member States. Programming requirements have been criticised for being administratively burdensome.[9]

– *Programme implementation*: studies show that, despite some progress, ESF management and delivery remains too complex. Despite improvements in 2014-2020 the shift from a logic based on inputs towards one based on results has not fully taken place.

– ***The Youth Employment Initiative (YEI)***

Strengths: The YEI has increased the visibility of youth employment policies and has driven policy reforms in a number of Member States in the context of the set-up and implementation of Youth Guarantee schemes. Member States report that the YEI is of critical importance for the coverage and design of employment policy in their country.

Weaknesses: The main challenges relate to its financial management (being funded from two funding sources – the YEI specific allocation and the ESF) and the additional reporting requirements. These elements have been perceived by beneficiaries and implementing authorities as increasing the administrative burden.[10]

– ***The Fund for European Aid to the Most Deprived (FEAD)***

Strengths: Preliminary results of the mid-term evaluation of the FEAD, including results of stakeholder consultations[11], indicate that the food, material aid and social inclusion measures it supports make a difference to the most deprived people in society, including those who otherwise may be left out by mainstream social assistance or who need immediate support.

Weaknesses: The EU regulatory framework and its interpretation or national requirements can lead to difficulties in implementing the Fund. Difficulties include delays in the start-up phase of the programme and administrative obstacles mostly linked to national procurement policies and to additional requirements such as recording data/information on operations and end recipients for monitoring purposes and excessive and lengthy procedures.

– ***The Employment and Social Innovation (EaSI) programme***

Strengths: The mid-term evaluation shows that in 2014-2016 the EaSI programme was efficient and effective in helping to raise awareness about EU policy inputs in the area of social inclusion and poverty reduction. The evaluation also showed that the EaSI programme improved perception of the cross-border potential for employment and contributed to a rapid testing and implementation of innovative measures and increased access to microfinance loans and support for entrepreneurship. EaSI also facilitated policy change by disseminating comparative and analytical knowledge, building capacity, mutual learning and dialogue, and by helping different stakeholders to influence the formulation and implementation of socio-economic policies.

Weaknesses: More could be done to improve the relevance and impact of EaSI. The PROGRESS axis should improve the efforts to deliver social policy experimentations by revising the procedures for evaluating and selecting projects and by creating the conditions for

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[9] Final conclusions and recommendations of the High Level Group on Simplification for post 2020, pp.12-13, http://ec.europa.eu/regional_policy/sources/newsroom/pdf/simplification_proposals.pdf.

[10] Study supporting the impact assessment of human capital investments, European Commission (ongoing).

[11] Report on the Open public consultation for the FEAD mid-term evaluation, January 2018 available at https://publications.europa.eu/s/fo2y

scaling them up. For EURES, a longer implementation period combined with measures for reducing the administrative burden may enable stakeholders to properly develop, implement, measure the effectiveness and ensure the sustainability of projects.

– ***The Health Programme***

Strengths: The mid-term evaluation confirmed the EU added value of actions, notably in the form of increased capacity in the Member States to address cross border health threats, of technical guidelines and recommendations for cancer, HIV/AIDS and Tuberculosis prevention, of additional support for EU health legislation on medicinal products and medical devices, as well as the eHealth Network activities and Health Technology Assessment. The evaluation also recognised the added value of tools to control healthcare-associated infections and to step up coordinated efforts to fight against antimicrobial resistance, and of the extensive groundwork pursued through Joint Actions to identify and transfer best practices for the prevention and management of diseases. It also recognised the positive contribution of actions to increase the interoperable and standardised cross-border exchange of health data, and of those efforts to set up EU-wide digital infrastructures for that purpose.

Weaknesses: In non-legislative areas where actions can be more open-ended or broadly defined, the mid-term evaluation revealed that there is a danger of those actions being less focused. There is scope to streamline the added-value criteria to focus on three key areas: addressing cross-border health threats, improving economies of scale, and fostering the exchange and implementation of best practices. There were also some inefficiencies and inadequacies with the monitoring of implementation data, which can make it harder for programme managers to keep an up-to-date overview of the programme's achievements.

- **Stakeholder consultations**

The stakeholder consultations were based on a **stakeholders mapping**, which covers the main EU organisations and institutions working in the field of social and employment policy and relevant investment – public authorities at all levels of government, social partners, civil society organisations, funding beneficiaries and end-users as well as citizens across the EU. The stakeholder consultation used a **variety of methods and tools** to reach a sufficient variety and number of stakeholders, and to cross check opinions. The consultation activities included several Open Public Consultations performed as part of the MFF, the ex-post evaluation of the ESF, the FEAD mid-term evaluation and the EaSI mid-term evaluation. The consultation also involved stakeholder conferences and meetings, focus groups, interviews, targeted online consultation and analysis of position papers. More information on the stakeholder consultations is available in the Impact Assessment.

The main conclusions from the stakeholder consultations were:

– The **added value of the funds** is linked to promoting effective and efficient public investment, streamlining the exchange of knowledge between countries and regions, improving social integration and creating a more inclusive Europe, supporting policy experimentation and innovation, reducing regional disparities and facilitating convergence. The funds also add value through the leverage effect of cohesion policy on public and private investment.

– Complex procedures are seen as the most important obstacle to funds successfully achieving their objectives.

- There was a call to **simplify and reduce the administrative burden** on beneficiaries including less burdensome requirements on collecting data from participants.
- There is a need to strengthen the social dimension.
- The rules for the various EU funds should be aligned.
- There was a call to **strengthen synergies and avoid duplication and overlaps** between EU instruments. **Merging funds** was identified as the best way to achieve this goal, provided that merging also helps to simplify the EU instruments.
- The policy papers show considerable interest in improving the links between the funds and the **European Semester**.
- Current public health issues can only be **effectively dealt with through collaboration at EU level.** There is an added value in the EU addressing common challenges such as health inequalities, migration, an ageing population, patient safety, high quality health care, tackling health threats including non-communicable diseases, infectious diseases and antimicrobial resistance.

The main proposals addressing stakeholders' feedback are outlined below:

- To enhance synergies and avoid overlaps between funding instruments investing in people and their needs, the ESF, YEI, FEAD, EaSI and the Health Programme will be merged into one Fund (the ESF+). This will make it easier for beneficiaries to access funding, help them combine different types of measures, and simplify the management of funding.
- To respond to the call for strengthening the social dimension:
  - The **scope of support for ESF+ is aligned with the European Pillar of Social Rights**. Merging different instruments under the ESF+ will make it possible to pool resources for the implementation of the principles of the Pillar.
  - The social inclusion dimension of the ESF+ will be strengthened by **integrating the FEAD and the ESF.** This allows for an easier combination of provisions of food/material assistance with support for social inclusion and active measures.
  - **At least 25 % of national ESF+ resources will be earmarked** for promoting social inclusion and tackling poverty. Moreover, Member States will have to allocate at least 2% of their ESF+ resources for measures targeting the most deprived. This ensures that a minimum amount of resources target those most in need.
- In order to simplify the implementation of the ESF+, reduce the administrative burden on beneficiaries and shift the focus to the achievement of results, several provisions are introduced in the CPR**.** However, the ESF+ Regulation also provides formeasures to tackle material deprivation in order to **address the stakeholders' request to maintain lighter requirements for this type of assistance** and simplified data collection and monitoring and reporting requirements.
- To ensure **stronger alignment with the European Semester process** an adequate amount of resources from national ESF+ resources will be allocated to implementing challenges identified in the European Semester process.

- **Collection and use of expertise**

The Commission has based its decisions on expertise collected through a number of studies as well as on Member States' reports on the implementation of the ESF. The studies used a range of methods including literature reviews, targeted surveys, interviews, focus groups, and economic modelling. The reports and studies are listed in the impact assessment. The ESF+ proposal has taken into account recommendations from the studies by enhancing synergies and complementarities between the funds, strengthening the link with EU policy priorities while increasing flexibility, and by including a number of measures to reduce administrative burden, such as enhanced simplified cost options and simplified monitoring and reporting requirements.

- **Impact assessment**

This proposal is supported by an impact assessment. The Regulatory Scrutiny Board hearing took place on the 25 April 2018, where the impact assessment received a positive opinion with reservation[12]. The table below outlines the main comments received and how the impact assessment was amended to reflect these.

Main Regulatory Scrutiny Board considerations	**Impact assessment report modifications**
(1) The policy prioritisation of actions is not clear, in particular in relation to the European Pillar of Social Rights, as well as to accommodate potential reductions of funding.	The text clarifies a potential reduction of funding would be addressed by limiting the scope of the ESF+ in the area of administrative reform and by increasing the national co-financing rates.
(3) The report does not sufficiently demonstrate that the monitoring and evaluation system is robust and will deliver the necessary information in a timely way.	Additional information on the monitoring and evaluation system has been inserted in Section 5.
Further considerations and adjustment requirements	
(1) The lessons learned should more comprehensively build on the main general and fund-specific challenges identified in the published evaluations and preliminary evaluations results.	Published evaluations, preliminary evaluation results and stakeholder consultations have identified specific challenges to each of the funds. When analysing them, it appeared that they could be grouped in to the four overall MFF challenges, i.e. interaction and synergies between funds, alignment to policies and flexibility, simplification and performance and result orientation. The cross cutting MFF challenges find therefore a translation for each fund (Section 2.1.2.2).
(2) Clarify the main rationale for merging the funds and the risks associated to the merge.	Additional explanation has been included in order to explain the reasons for merging the relevant funds together and for keeping the EGF out of this new fund. In addition, the main risk raised by stakeholders that the merged fund would increase the administrative burden is mitigated as ex-FEAD and EaSI type of measures will remain subject to

[12] http://ec.europa.eu/transparency/regdoc/?fuseaction=ia&language=en

	simpler rules (Section 4.1.1).
(3) The baseline of the ESF+ programme needs to reflect the impact of Brexit.	Baseline following Brexit inserted in the text under section 2.1.1.
(4) Be more transparent on the prioritisation of the ESF+. Clarify the key changes in the policy priorities of the ESF+, including as regards the link to the European Pillar of Social Rights. Explain if and how the ESF+ will cover all or some of the different domains on the Pillar. Better explain the link between the structural reforms and the European Semester Process.	It was clarified in the text of the report that the merged fund will not as such change the priorities of the funding instrument, which results to be an aggregation of the previously partly overlapping policy priorities of the different funds. The ESF+ will support the policy priorities of the European Pillar of Social Rights which are part of its scope. The text further clarifies which Pillar rights and principles will fall under the scope of the ESF+. The question of prioritisation is clarified on pages 30-31.
(5) Clarify whether and to what extent the ESF+ will address public administration reform. Refer to possible future support from other funding programmes (e.g. Structural Reform Support Programme)	The text clarifies the scope of the ESF+ regarding public administration reform to the extent possible given that at the time of writing this impact assessment, the scope of the future Reform Support Programme is not yet known.
(6) Identify the key changes in the delivery mechanisms of the ESF+	The changes proposed in the delivery mechanisms address different issues and are therefore of different nature. In terms of programming for example a key change is to align the funding and policy process by streamlining the programming documents. In terms of implementation, a key change is to apply in a more flexible way the territorial rules for the ESF and to introduce continuous conditionalities (Section 4).
(8) Clarify the coherence between the ESF+ and ERDF and Erasmus +	Aspects of coherence between the ESF+ and ERDF and Erasmus + programme have been included in the main body of the report. Additional information is provided in annex 4.
(9) Explain how the monitoring system will address the criticisms voiced during the 2007-2013 period. The evaluation planning should include an interim evaluation of each fund. Explain how the stakeholders views were taken into account	On monitoring and evaluation, see Main considerations, point 3. The views of stakeholders are summarised in the main body of the report (section 1.2.2) and are more detailed in annex 2, see in particular Section 6.2 which explains how stakeholder views were taken into account.

The impact assessment assessed the best way to maximise the support provided at EU level and how to improve synergies between different instruments, in particular, with the aim of better delivering on the principles of the European Pillar of Social Rights. The options assessed were the following:

Option 1: *merging the ESF, YEI, FEAD, EaSI, EU Health programme.*

– This was the **preferred option** based both on the results of evaluations and on the stakeholder consultations. In the view of managing authorities, broadly integrating the funds would help streamline their strategic interventions across all areas of social policy. This would enhance flexibility when planning interventions, and facilitate the delivery of the principles of the European Pillar of Social Rights. Beneficiaries confirmed that there is still untapped potential for strengthening synergies between programmes and the projects funded.

Option 2: *merging the ESF, YEI, FEAD, EaSI, EU Health programme and EGF*

– This would only result in an artificial reduction in the number of funds. The EGF's very specific objectives, high political visibility and budgetary flexibility would be lost if it were to be merged with the ESF+. Stakeholders confirmed this during the consultation process[13].

Option 3: merging the funds under shared management (i.e. excluding the EaSI and the EU Health programme, but including the EGF)

– This would mean sacrificing the EGF's high visibility as an EU-level emergency instrument to cushion the adverse side effects of globalisation. The potential flexibility and synergies to be gained from merging EaSI within the ESF+ would be lost.

Option 4: *keeping the FEAD as a separate fund, but merging material assistance and social inclusion under the FEAD programmes.*

– This would allow for more synergies between the types of support for basic material assistance and social inclusion measures while keeping the current implementation rules. It would not however ensure adequate demarcation vis-à-vis ESF-type social inclusion measures.

Option 5: merging all ESI Funds

– This would impair policy delivery, as it would not be possible to adapt implementation rules to the specific requirements of the policies supported. It would not increase synergies and coherence with other human capital funds.

- **Regulatory fitness and simplification**

The Common Provision Regulation (common to many shared management policy areas) will ensure simplification of the shared management strand of the Fund through the use of common and simplified rules regarding programming, monitoring and evaluation arrangements, management and control, information and communication and financial management. There will be provisions facilitating the use of the simplified cost options, as well as the new option to use financing not linked to costs. The audit approach will be streamlined to focus more on risk-based audit sampling and to respect the "single audit" principle. The tasks and responsibilities of different bodies in the management and control system are set out in a clearer way .There will also be increased flexibility, as only the first 5 years will be programmed initially. Allocations for the last 2 years will be made based on a substantial and in-depth mid-term review leading to corresponding reprogramming in 2025. The content of programmes will be more streamlined and strategic.

- **Fundamental rights**

The ESF+ Regulation ensures the respect of fundamental rights and observes the principles recognised in the Charter of Fundamental Rights of the European Union. Member States must apply this Regulation in a manner consistent with these rights and principles.

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[13] See study to support the impact assessment of human capital investments, DG EMPL (ongoing): *"The integration of EGF in framework of other DG EMPL funds was generally not deemed desirable by the different stakeholders involved in the management of EGF."*

4. BUDGETARY IMPLICATIONS

The total budget allocated for the ESF+ amounts to EUR 101 billion (in current prices) for the 2021-2027 period, of which EUR 100 billion for the ESF+ strand under shared management. The financial envelope for the direct management strands of the ESF+ shall be EUR 1 174 million in current prices, of which EUR 761 million for Employment and Social Innovation and EUR 413 million for Health.

Details on financial and staffing needs can be found in the ESF+ Legislative Financial Statements

This proposal establishes a minimum amount for the ESF+ in order to ensure an appropriate amount of funding for investments in people in the Union.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

Under shared management, targets for common output and result indicators, and if necessary, for programme specific output and result indicators, will be defined at programme level. The Member States authorities will electronically transmit data on output and result indicators to the Commission six times a year. Their consistency will be checked. The reliability of the system for collecting, recording and storing data for monitoring, evaluation, financial management and verification will be audited. In order to simplify data collection and minimise the burden on participants and beneficiaries, the authorities will be enabled, as much as possible, to collect monitoring data from existing administrative registers. Sensitive data will not be collected directly from the participants and rely on registers or informed estimations.

Evaluation will remain the shared responsibility of the Member States and the Commission. In addition to evaluations carried out by Member States, the Commission will carry out a midterm and a retrospective evaluation of the ESF+ strand under shared management with the support of the Member States.

Under direct and indirect management, performance frameworks will be developed building on the relevant practices of the former EaSI and Health frameworks to ensure that data are collected efficiently, effectively and on time. The Commission will evaluate the direct and indirect management strands such that this will feed into different decision-making processes.

- **Detailed explanation of the specific provisions of the proposal**

Much of the delivery and implementation of the ESF+ strand under shared management is covered by the CPR. The main elements of the Regulation should therefore be read in conjunction with the CPR.

The ESF+ Regulation has the following structure:

<u>Part I – General provisions (applicable to all strands)</u>

This part includes the subject matter, definitions, general objectives and methods of implementation and the specific objectives. It also includes provisions on the principles of gender equality, equal opportunities and non-discrimination which the Commission and the Member States must respect when implementing the ESF+. This part is applicable to all

strands of the ESF+. The specific objectives to be supported by the ESF+ are based on the principles set out in the European Pillar of Social Rights.

Part II – Implementation under the ESF+ strand under shared management

This part sets out provisions which are applicable to the strand under shared management, which includes the ex-ESF, ex-YEI and ex-FEAD. These provisions are complementary to the rules set out in the CPR.

Chapter I: Common provisions on programming (under shared management)

This chapter details the consistency and thematic concentration of the ESF+ strand under shared management. In particular, it provides for:

– **Provisions strengthening alignment with the European Semester** – to strengthen the link with the European Semester, the proposal includes a new provision that if a Member State has a relevant country-specific recommendation (CSR), it should allocate an appropriate amount of its resources of the ESF+ strand under shared management to this.

– **Thematic concentration requirements*:***

Tackling poverty and promoting social inclusion: social inequalities remain a major concern. Therefore, at least 25% of the resources of the ESF+ strand under shared management will be allocated to fostering social inclusion to ensure that the social dimension of Europe as set out in the European Pillar of Social Rights is duly put forward and that a minimum amount of resources targets those most in need. Moreover, it is appropriate that Member States allocate a minimum amount of resources to measures addressing material deprivation.

Improving employment opportunities for young people: although youth unemployment in the EU has decreased – from a peak of 24% in January 2013 to 15.6% in March 2018 – it is still high - more than double the overall unemployment rate (15.9% compared with 7.1% in February 2018). Notably, in all outermost regions, 40% of young people are unemployed. The rate of young people who are not in employment, education or training (NEET) was also still very high, at 13.4% in 2017. Therefore, Member States with a NEET rate (age group 15 – 29) above a given threshold should allocate 10% of their ESF+ resources of the ESF+ strand shared management to targeted actions and structural reforms to support young people. In the case of outermost regions with a NEET rate above the threshold, the allocation is increased to 15%.

Chapter II: General support of the ESF+ strand under shared management

This chapter applies to all support provided by the ESF+ strand under shared management except the support addressing material deprivation. It sets out rules on eligibility and monitoring, which complement the CPR.

There is also a provision on 'innovative actions', which encourages Member States to support social innovation and social experimentation, which strengthen bottom-up approaches based on partnerships.

Chapter III: ESF+ support for addressing material deprivation

Chapter III focuses solely on the ex-FEAD material assistance. This is justified by the fact that these types of operations have lower thresholds for participation and thus are less administratively burdensome. Stakeholders have called for keeping this approach and not imposing more demanding ESF rules (e.g. for reporting data on indicators, or rules on the audit trail). This chapter outlines the principles for support, the rules on reporting, eligibility, the indicators and audit.

Part III – Implementation under direct and indirect management

Chapter I: specific rules for the Employment and Social Innovation strand

This chapter focuses on the direct and indirect management strand related to the Employment and Social Innovation strand. It includes provisions on operational objectives, eligible actions and eligible entities.

Chapter II: specific provisions applicable to the Health strand

This chapter focuses on the direct management strand related to the Health strand. It includes provisions on operational objectives, eligible actions and entities, and governance.

Chapter III: Common rules applicable to the Employment and Social Innovation and the Health strands

This chapter focuses on the rules applicable to both of the direct management strands: associated third countries, forms of EU funding and methods of implementation, work programme, monitoring and reporting,evaluation,protection of the financial interests of the Union, audits, information and communication and publicity.

Part IV – Final provisions

Part IV outlines the provisions applicable to all: exercise of the delegation, the Committee Procedure for the ESF+ under shared management, the Committee under Article 163 TFEU, the transitional provisions and the date of entry into force.

Annexes

- Annex I – Common indicators for the general support of the ESF+ strand under shared management
- Annex II - Common indicators for ESF+ support for addressing material deprivation
- Annex III – Indicators for the Health strand

2018/0206 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the European Social Fund Plus (ESF+)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 46(d), Article 149, Article 153(2)(a), Article 164, Article 168(5), Article 175(3) and Article 349 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[14],

Having regard to the opinion of the Committee of the Regions[15],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) On 17 November 2017, the European Pillar of Social Rights was jointly proclaimed by the European Parliament, the Council and the Commission as a response to social challenges in Europe. The twenty key principles of the pillar are structured around three categories: equal opportunities and access to the labour market; fair working conditions; social protection and inclusion. The twenty principles of the European Pillar of Social Rights should guide the actions under the European Social Fund Plus (ESF+). In order to contribute to the implementation of the European Pillar of Social Rights the ESF+ should support investments in people and systems in the policy areas of employment, education and social inclusion, thereby supporting economic, territorial and social cohesion in accordance with Article 174 TFEU.

(2) At Union level, the European Semester of economic policy coordination is the framework to identify national reform priorities and monitor their implementation. Member States develop their own national multiannual investment strategies in support of those reform priorities. Those strategies should be presented alongside the yearly National Reform Programmes as a way to outline and coordinate priority investment projects to be supported by national and/or Union funding. They should also serve to use Union funding in a coherent manner and to maximise the added value of the financial support to be received notably from the programmes supported by the Union under the European Regional Development Fund, the Cohesion Fund, the European Social Fund Plus, the European Maritime and Fisheries Fund and the

[14] OJ C […], […], p. […].
[15] OJ C […], […], p. […].

European Agricultural Fund for Rural Development, the European Investment Stabilisation Function and InvestEU, where relevant.

(3) The Council of […] adopted revised guidelines for the employment policies of the Member States to align the text with the principles of the European Pillar of Social Rights, with a view to improving Europe's competitiveness and making it a better place to invest, create jobs and foster social cohesion. In order to ensure the full alignment of the ESF+ with the objectives of these guidelines, particularly as regards employment, education, training and the fight against social exclusion, poverty and discrimination, the ESF+ should support Member States, taking account of the relevant Integrated Guidelines and relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU and Article 148(4) TFEU and, where appropriate, at national level, the national reform programmes underpinned by national strategies. The ESF+ should also contribute to relevant aspects of the implementation of key Union initiatives and activities, in particular the "Skills Agenda for Europe" and the European Education Area, relevant Council Recommendations and other initiatives such as the Youth Guarantee, Upskilling Pathways and on Integration of the long-term unemployed.

(4) On 20 June 2017, the Council endorsed the Union response to the 'UN 2030 Agenda for Sustainable Development' - a sustainable European future. The Council underlined the importance of achieving sustainable development across the three dimensions (economic, social and environmental), in a balanced and integrated way. It is vital that sustainable development is mainstreamed into all Union internal and external policy areas, and that the Union is ambitious in the policies it uses to address global challenges. The Council welcomed the Commission Communication on "Next steps for a sustainable European future" of 22 November 2016 as a first step in mainstreaming the Sustainable Development Goals and applying sustainable development as an essential guiding principle for all Union policies, including through its financing instruments.

(5) The Union is confronted with structural challenges arising from economic globalisation, the management of migration flows and the increased security threat, clean energy transition, technological change and an increasingly ageing workforce and growing skills and labour shortages in some sectors and regions, experienced especially by SMEs. Taking into account the changing realities of the world of work, the Union should be prepared for the current and future challenges by investing in relevant skills, making growth more inclusive and by improving employment and social policies, including in view of labour mobility.

(6) Regulation (EU) No […] establishes the framework for action by the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund, the European Maritime and Fisheries Fund (EMFF), the Asylum and Migration Fund (AMIF), Internal Security Fund (ISF) and the Border Management and Visa Instrument (BMVI) as a part of the Integrated Border Management Fund (IBMF), and lays down, in particular, the policy objectives and the rules concerning programming, monitoring and evaluation, management and control for Union funds implemented under shared management. It is therefore necessary to specify the general objectives of the ESF+, and to lay down specific provisions concerning the type of activities that may be financed by the ESF+.

(7) Regulation (EU, Euratom) No [the new FR] (the 'Financial Regulation') lays down rules on the implementation of the Union budget, including the rules on grants, prizes,

procurement, indirect implementation, financial assistance, financial instruments and budgetary guarantees. In order to ensure coherence in the implementation of Union funding programmes, the Financial Regulation is to apply to the actions to be implemented in direct or indirect management under the ESF+.

(8) The types of financing and the methods of implementation under this Regulation should be chosen on the basis of their ability to achieve the specific objectives of the actions and to deliver results, taking into account, in particular, the costs of controls, the administrative burden, and the expected risk of non-compliance. For grants, this should include consideration of the use of lump sums, flat rates and unit costs, as well as financing not linked to costs as envisaged in Article 125(1) of the Financial Regulation. To implement measures linked to the socio-economic integration of third country nationals, and in accordance with Article 88 of the Common Provisions Regulation, the Commission may reimburse Member States using simplified cost options including the use of lump sums.

(9) In order to streamline and simplify the funding landscape and create additional opportunities for synergies through integrated funding approaches, the actions which were supported by the Fund for European Aid to the Most Deprived ('FEAD'), the European Union Programme for Employment and Social Innovation and the Programme for the Union's action in the field of health should be integrated into one ESF+. The ESF+ should therefore include three strands: the ESF+ strand under shared management, the Employment and Social Innovation strand, and the Health strand. This should contribute to reducing the administrative burden linked to the management of different funds, in particular for Member States, whilst maintaining simpler rules for simpler operations such as the distribution of food and/or basic material assistance.

(10) In view of this wider scope of the ESF+ it is appropriate to foresee that the aims to enhance the effectiveness of labour markets and promote access to quality employment, to improve the access to and the quality of education and training as well as to promote social inclusion and health and to reduce poverty are not only implemented under shared management, but also under direct and indirect management under the Employment and Social Innovation and Health strands for actions required at Union level.

(11) The integration of the Programme for the Union's action in the field of health with the ESF+ will also create synergies between the developments and testing of initiatives and policies to improve the effectiveness, resilience and sustainability of health systems developed by the Health strand of the ESF+ Programme and their implementation in the Member States by the tools provided by the other strands of the ESF+ Regulation.

(12) This Regulation lays down a financial envelope for the ESF+. Parts of this financial envelope should be used for actions to be implemented in direct and indirect management under the Employment and Social Innovation and Health strands.

(13) The ESF+ should aim to promote employment through active interventions enabling (re)integration into the labour market, notably for youth, the long-term unemployed and the inactive, as well as through promoting self–employment and the social economy. The ESF+ should aim to improve the functioning of labour markets by supporting the modernisation of labour market institutions such as the Public Employment Services in order to improve their capacity to provide intensified targeted counselling and guidance during the job search and the transition to employment and

to enhance workers' mobility. The ESF+ should promote women's participation in the labour market through measures aiming to ensure, amongst others, improved work/life balance and access to childcare. The ESF + should also aim to provide a healthy and well-adapted working environment in order to respond to health risks related to changing forms of work and the needs of the ageing workforce.

(14) The ESF+ should provide support to improving the quality, effectiveness and labour market relevance of education and training systems in order to facilitate the acquisition of key competences notably as regards digital skills which all individuals need for personal fulfilment and development, employment, social inclusion and active citizenship. The ESF+ should help progression within education and training and transition to work, support lifelong learning and employability, and contribute to competitiveness and societal and economic innovation by supporting scalable and sustainable initiatives in these fields. This could be achieved for example through work-based learning and apprenticeships, lifelong guidance, skills anticipation in cooperation with industry, up-to-date training materials, forecasting and graduate tracking, training of educators, validation of learning outcomes and recognition of qualifications.

(15) Support through the ESF+ should be used to promote equal access for all, in particular for disadvantaged groups, to quality, non-segregated and inclusive education and training, from early childhood education and care through general and vocational education and training and to tertiary level, as well as adult education and learning, thereby fostering permeability between education and training sectors, preventing early school leaving, improving health literacy, reinforcing links with non-formal and informal learning and facilitating learning mobility for all. Synergies with the Erasmus programme, notably to facilitate the participation of disadvantaged learners in learning mobility, should be supported within this context.

(16) The ESF+ should promote flexible upskilling and reskilling opportunities for all, notably digital skills and key enabling technologies, with a view to providing people with skills adjusted to digitalisation, technological change, innovation and social and economic change, facilitating career transitions, mobility and supporting in particular low-skilled and/or poorly qualified adults, in line with the Skills Agenda for Europe.

(17) Synergies with the Horizon Europe programme should ensure that the ESF+ can mainstream and scale up innovative curricula supported by Horizon Europe in order to equip people with the skills and competences needed for the jobs of the future.

(18) The ESF+ should support Member States' efforts to tackle poverty with a view to breaking the cycle of disadvantage across generations and promote social inclusion by ensuring equal opportunities for all, tackling discrimination and addressing health inequalities. This implies mobilising a range of policies targeting the most disadvantaged people regardless of their age, including children, marginalised communities such as the Roma, and the working poor. The ESF+ should promote the active inclusion of people far from the labour market with a view to ensuring their socio-economic integration. The ESF+ should be also used to enhance timely and equal access to affordable, sustainable and high quality services such as healthcare and long-term care, in particular family and community-based care services. The ESF+ should contribute to the modernisation of social protection systems with a view in particular to promoting their accessibility.

(19) The ESF+ should contribute to the reduction of poverty by supporting national schemes aiming to alleviate food and material deprivation and promote social

integration of people at risk of poverty or social exclusion and the most deprived. With a view that at Union level at least 4% of the resources of the ESF+ strand under shared management supports the most deprived, Member States should allocate at least 2% of their national resources of the ESF+ strand under shared management to address the forms of extreme poverty with the greatest social exclusion impact, such as homelessness, child poverty and food deprivation. Due to the nature of the operations and the type of end recipients, it is necessary that simpler rules apply to support which addresses material deprivation of the most deprived.

(20) In light of the persistent need to enhance efforts to address the management of the migration flows in the Union as a whole and in order to ensure a coherent, strong and consistent support to the solidarity and responsibility-sharing efforts, the ESF+ should provide support to promote the socio-economic integration of third country nationals complementary to the actions financed under the Asylum and Migration Fund.

(21) The ESF+ should support policy and system reforms in the fields of employment, social inclusion, healthcare and long-term care, and education and training. In order to strengthen alignment with the European Semester, Member States should allocate an appropriate amount of their resources of the ESF+ strand under shared management to implement relevant country-specific recommendations relating to structural challenges which it is appropriate to address through multiannual investments falling within the scope of the ESF+. The Commission and the Member States should ensure coherence, coordination and complementarity between the shared-management and Health strands of ESF+ and the Reform Support Programme, including the Reform Delivery Tool and the Technical Support Instrument. In particular, the Commission and the Member State should ensure, in all stages of the process, effective coordination in order to safeguard the consistency, coherence, complementarity and synergy among sources of funding, including technical assistance thereof.

(22) To ensure that the social dimension of Europe as set out in the European Pillar of Social Rights is duly put forward and that a minimum amount of resources is targeting those most in need Member States should allocate at least 25% of their national ESF+ resources of the ESF+ strand under shared management to fostering social inclusion.

(23) In the light of persistently high levels of youth unemployment and inactivity in a number of Member States and regions, in particular affecting young people who are neither in employment, nor in education or training, it is necessary that those Member States continue to invest sufficient resources of the ESF+ strand under shared management towards actions to promote youth employment including through the implementation of Youth Guarantee schemes. Building on the actions supported by the Youth Employment Initiative in the 2014-2020 programming period targeting individual persons, Member States should further promote employment and education reintegration pathways and outreach measures for young people by prioritising, where relevant, long-term unemployed, inactive and disadvantaged young people including through youth work. Member States should also invest in measures aimed at facilitating school-to-work transition as well as reforming and adapting employment services with a view to providing tailor-made support to young people. Member States concerned should therefore allocate at least 10% of their national resources of the ESF+ strand under shared management to support youth employability.

(24) Member States should ensure coordination and complementarity between the actions supported by these funds.

(25) In accordance with Article 349 TFEU and Article 2 of Protocol No 6 to the 1994 Act of Accession, the outermost regions and the northern sparsely populated regions are entitled to specific measures under common policies and EU programmes. Due to the permanent constraints these regions require specific support.

(26) Efficient and effective implementation of actions supported by the ESF+ depends on good governance and partnership between all actors at the relevant territorial levels and the socio-economic actors, in particular the social partners and civil society. It is therefore essential that Member States encourage the participation of social partners and civil society in the implementation of the ESF+ under shared management.

(27) With a view to rendering policies more responsive to social change and to encourage and support innovative solutions, support for social innovation is crucial. In particular, testing and evaluating innovative solutions before scaling them up is instrumental in improving the efficiency of the policies and thus justifies specific support from the ESF+.

(28) The Member States and the Commission should ensure that ESF+ contributes to the promotion of equality between women and men in accordance with Article 8 TFEU to foster equality of treatment and opportunities between women and men in all areas, including regarding participation in the labour market, terms and conditions of employment and career progression. They should also ensure that the ESF+ promotes equal opportunities for all, without discrimination in accordance with Article 10 TFEU and promotes the inclusion in society of persons with disabilities on equal basis with others and contributes to the implementation of the United Nations Convention on the Rights of Persons with Disabilities. These principles should be taken into account in all dimensions and in all stages of the preparation, monitoring, implementation and evaluation of programmes, in a timely and consistent manner while ensuring that specific actions are taken to promote gender equality and equal opportunities. The ESF+ should also promote the transition from residential/institutional care to family and community-based care, in particular for those who face multiple discrimination. The ESF+ should not support any action that contributes to segregation or to social exclusion.Regulation (EU) No [future CPR] provides that rules on eligibility of expenditure are to be established at national level, with certain exceptions for which it is necessary to lay down specific provisions with regard to the ESF+ strand under shared management.

(29) In order to reduce the administrative burden for the collection of data, Member States should, where such data are available in registers, allow managing authorities to collect data from registers.

(30) With regard to the processing of personal data within the framework of this Regulation, national data controllers should carry out their tasks for the purposes of this Regulation in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council[16].

(31) Social experimentation is a small-scale project testing which allows gathering evidence on the feasibility of social innovations. It should be possible for feasible ideas to be pursued on a wider scale or in other contexts with financial support from the ESF+, as well as from other sources.

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(32) ESF+ lays down provisions intended to achieve freedom of movement for workers on a non-discriminatory basis by ensuring the close cooperation of the central employment services of Member States with one another and with the Commission. The European network of employment services should promote a better functioning of the labour markets by facilitating the cross-border mobility of workers and a greater transparency of information on the labour markets. The ESF+ scope also includes developing and supporting targeted mobility schemes with a view to filling vacancies where labour market shortcomings have been identified.

(33) Lack of access to finance for microenterprises, social economy and social enterprises is one of the main obstacles to business creation, especially among people furthest from the labour market. The ESF+ Regulation lays down provisions in order to create a market eco-system to increase the supply of and access to finance for social enterprises as well as to meet demand from those who need it most, and in particular the unemployed, women and vulnerable people who wish to start up or develop a microenterprise. This objective will also be addressed through financial instruments and budgetary guarantee under the social investment and skills policy window of the InvestEU Fund.

(34) Social investment market players, including philanthropic actors, can play a key role in achieving several ESF+ objectives, as they offer financing as well as innovative and complementary approaches to combatting social exclusion and poverty, reducing unemployment and contributing to the UN Sustainable Development Goals. Therefore, philanthropic actors such as foundations and donors should be involved, as appropriate, in ESF+ actions in particular in those aimed at developing the social investment market ecosystem.

(35) In accordance with Article 168 TFEU, a high level of human health protection is to be ensured in the definition and implementation of all Union policies and activities. The Union is to complement and support national health policies, encourage cooperation between Member States and promote the coordination between their programmes, in full respect of the responsibilities of the Member States for the definition of their health policies and the organisation and delivery of health services and medical care.

(36) Keeping people healthy and active longer and empowering them to take an active role in managing their health will have positive effects on health, health inequalities, quality of life, productivity, competitiveness and inclusiveness, while reducing pressures on national budgets. The Commission has been committed to help Member States to reach their sustainable development goals (SDG), in particular SDG 3 "Ensure healthy lives and promote well-being for all at all ages".[17]

(37) Evidence and the common values and principles in European Union Health Systems as set out in the Council Conclusions of 2 June 2006 should support the decision-making processes for planning and managing innovative, efficient and resilient health systems, promoting tools for ensuring universal access to quality healthcare, and the voluntary wider scale implementation of best practices.

(38) The Health strand of the ESF+ should contribute to disease prevention throughout the lifetime of the Union's citizens and to health promotion by addressing health risk factors such as tobacco use and passive smoking, harmful use of alcohol, consumption of illicit drugs and reduction of drugs-related health damage, unhealthy dietary habits

[17] COM (2016) 739 final

and physical inactivity and foster supportive environments for healthy lifestyles in order to complement Member States action in line with the relevant strategies. The Health strand of the ESF+ should mainstream effective prevention models, innovative technologies and new business models and solutions to contribute to innovative, efficient and sustainable health systems of the Member States and facilitate access to better and safer healthcare for European citizens.

(39) Non-communicable diseases are responsible for over 80 % of premature mortality in the Union and an effective prevention entails multiple cross border dimensions. In parallel, the European Parliament and the Council underlined the need to minimise the public health consequences of serious cross-border threats to health such as communicable diseases and other biological, chemical, environmental and unknown threats, by supporting preparedness and response capacity building.

(40) Reducing the burden of resistant infections and healthcare associated infections and securing the availability of effective antimicrobials is essential for the efficiency of health systems and for the health of citizens.

(41) The Commission has recently made a proposal[18] on Health Technology Assessment (HTA) to support cooperation on health technology assessment at Union level to improve the availability of innovative health technologies to patients across the Union, make better use of available resources and improve business predictability.

(42) Given the specific nature of some of the objectives covered by the Health strand of the ESF+ and by the type of the actions under that strand, the respective competent authorities of the Member States are best placed to implement the related activities. Those authorities, designated by the Member States themselves, should therefore be considered to be identified beneficiaries for the purpose of Article [195]of [the new Financial Regulation] and the grants be awarded to such authorities without prior publication of calls for proposals.

(43) The European Reference Networks (ERNs) are networks involving healthcare providers across Europe to tackle rare, low prevalence and complex diseases and conditions that require highly specialised treatment, and concentrated knowledge and resources. The ERNs are approved as Networks by the Board of Member States of the European Reference Networks, following the approval procedure set out in Commission Implementing Decision 2014/287/EU of 10 March 2014. Those networks, should therefore be considered to be identified beneficiaries for the purpose of Article [195] of [the new Financial Regulation] and the grants to the ERNs be awarded without prior publication of calls for proposals.

(44) EU health legislation has an immediate impact on the lives of citizen, on the efficiency and resilience of the health systems and the good functioning of the internal market. The regulatory framework for medical products and technologies (medicinal products, medical devices and substances of human origin), as well as on tobacco legislation, patients' rights on cross-border health and serious cross-border threats to health is essential to health protection in the EU. Regulation, as well its implementation and enforcement, must keep pace with innovation and research advances and with societal changes in this area, while delivering on health objectives. It is therefore necessary to continuously develop the evidence base required for implementing legislation of such a scientific nature.

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[18] COM(2018) 51 final

(45) In order to maximise the effectiveness and efficiency of actions at Union and international level, cooperation should be developed with relevant international organisations such as the United Nations and its specialised agencies, in particular the World Health Organisation (WHO), as well as with the Council of Europe and the Organisation for Economic Co-operation and Development (OECD) to implement the Health strand.

(46) Reflecting the importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals, this Regulation will contribute to mainstream climate action in the Union's policies and to the achievement of an overall target of 25 % of the EU budget expenditures supporting climate objectives. Relevant actions will be identified during the preparation and implementation, and reassessed in the context of the mid-term evaluation.

(47) Pursuant to Article [94 of Council Decision 2013/755/EU[19]], persons and entities established in Overseas Countries and Territories (OCTs) are to be eligible for funding subject to the rules and objectives of the Employment and Social Innovation and Health strands and possible arrangements applicable to the Member State to which the relevant OCTs are linked.

(48) Third countries which are members of the European Economic Area (EEA) may participate in Union programmes in the framework of the cooperation established under the EEA agreement, which provides for the implementation of the programmes by a decision under that agreement. A specific provision should be introduced in this Regulation to grant the necessary rights for and access to the authorising officer responsible, the European Anti-Fraud Office as well as the European Court of Auditors to comprehensively exert their respective competences.

(49) In accordance with the Financial Regulation, Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council[20], Council Regulation (EC, Euratom) No 2988/95[21], Council Regulation (Euratom, EC) No 2185/96[22] and Council Regulation (EU) 2017/1939[23], the financial interests of the Union are to be protected through proportionate measures in accordance with the Financial Regulation and other applicable rules, including the prevention, detection, correction and investigation of irregularities and fraud, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, the imposition of administrative sanctions. In particular, in accordance with Regulation (EU, Euratom) No 883/2013 and Regulation (Euratom, EC) No 2185/96, the European Anti-Fraud Office (OLAF) may carry out administrative investigations, including on-the-spot checks and inspections with a

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19 Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union ('Overseas Association Decision') (OJ L 344, 19.12.2013, p. 1).

20 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

21 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1).

22 Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

23 Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L 283, 31.10.2017, p. 1).

view to establishing whether there has been fraud, corruption or any other criminal offences affecting the financial interests of the Union. In accordance with Regulation (EU) 2017/1939, the European Public Prosecutor's Office (EPPO) may investigate and prosecute EU-fraud and other criminal offences affecting the financial interests of the Union, as provided for in Directive (EU) 2017/1371 of the European Parliament and of the Council[24]. In accordance with the Financial Regulation, any person or entity receiving Union funds is to fully cooperate in the protection of the Union's financial interests, to grant the necessary rights and access to the Commission, OLAF, the EPPO and the European Court of Auditors (ECA) and to ensure that any third parties involved in the implementation of Union funds grand equivalent rights.

(50) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also concern the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States, as the respect for the rule of law is an essential precondition for sound financial management and effective EU funding.

(51) Since the objective of this Regulation, namely enhancing the effectiveness of labour markets and promoting access to quality employment, improving the access to and the quality of education and training, promoting social inclusion and health and reducing poverty as well as the actions under the Employment and Social Innovation and Health strands, cannot be sufficiently achieved by the Member States but can rather, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective.

(52) In order to amend certain non-essential elements of this Regulation, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of amending and supplementing the annexes on the indictors. It is of particular importance that the Commission carries out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

(53) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission. The implementing powers relating to the model for the structured survey of end recipients should be exercised in accordance with the advisory procedure of Article 4 of Regulation (EU)

[24] Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29).

No 182/2011 of European Parliament and of the Council[25] given the nature of this model.

HAVE ADOPTED THIS REGULATION:

Part I
General provisions

Article 1

Subject matter

This Regulation establishes the European Social Fund Plus (ESF+).

It lays down the objectives of the ESF+, the budget for the period 2021-2027, the methods of implementation, the forms of Union funding and the rules for providing such funding.

Article 2

Definitions

1. For the purposes of this Regulation, the following definitions shall apply:

(1) 'accompanying measures' means activities provided in addition to the distribution of food and/or basic material assistance with the aim of addressing social exclusion such as referring to and providing social services or advice on managing a household budget;

(2) ‘associated country’ means a third country which is party to an agreement with the Union allowing for its participation in the Employment and Social Innovation and Health strands of the ESF+ in accordance with Article 30;

(3) 'basic material assistance' means goods which fulfil the basic needs of a person for a life with dignity, such as clothing, hygiene goods and school material;

(4) 'blending operation' means actions supported by the Union budget, including within blending facilities pursuant to Article 2(6) of the Financial Regulation, combining non-repayable forms of support and/or financial instruments from the Union budget with repayable forms of support from development or other public finance institutions, as well as from commercial finance institutions and investors;

(5) ‘common immediate result indicators’ means common result indicators which capture effects within four weeks as from the day the participant leaves the operation (exit date);

(6) ‘common longer term result indicators’ means common result indicators which capture effects six months after a participant has left the operation;

[25] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission’s exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

(7) 'costs of purchasing food and/or basic material assistance' means the actual costs linked to the purchase of food and/or basic material assistance by the beneficiary and not limited to the price of the food and/or basic material assistance;

(8) 'end recipient' means the most deprived person or persons receiving the support as laid down in point (xi) of Article 4(1);

(9) ‘health crisis’ means any crisis commonly perceived as a threat, having a health dimension and which requires urgent action by authorities under conditions of uncertainty;

(10) 'legal entity' means any natural person, or any legal person created and recognised as such under national law, Union law or international law, which has a legal personality and which may, acting in its own name, exercise rights and be subject to obligations;

(11) 'microfinance' includes guarantees, microcredit, equity and quasi-equity, coupled with accompanying business development services such as in the form of individual counselling, training and mentoring, extended to persons and micro-enterprises that experience difficulties accessing credit for the purpose of professional and/or revenue-generating activities;

(12) micro-enterprise' means an enterprise with fewer than 10 employees and an annual turnover or balance sheet below EUR 2 000 000;

(13) 'most deprived persons' means natural persons, whether individuals, families, households or groups composed of such persons, whose need for assistance has been established according to the objective criteria set by the national competent authorities in consultation with relevant stakeholders, while avoiding conflicts of interest and which are approved by those national competent authorities and which may include elements that allow the targeting of the most deprived persons in certain geographical areas;

(14) 'reference value’ means a value to set targets for common and programme specific result indicators which is based on existing or previous similar interventions;

(15) 'social enterprise' means an undertaking, regardless of its legal form, or a natural person which

(a) in accordance with its Articles of Association, Statutes or with any other legal document that may result in liability under the rules of the Member State where it is located, has as its primary social objective the achievement of measurable, positive social impacts rather than generating profit for other purposes, and which provides services or goods that generate a social return, and/or employs methods of production of goods or services that embodies social objectives;

(b) uses its profits first and foremost to achieve its primary social objective, and has predefined procedures and rules covering any distribution of profits that ensure that such distribution does not undermine the primary social objective;

(c) is managed in an entrepreneurial, accountable and transparent way, in particular by involving workers, customers and stakeholders impacted by its business activities;

(16) 'social innovations' mean activities that are social both as to their ends and their means and in particular those which relate to the development and implementation of new ideas (concerning products, services and models) that simultaneously meet social needs and create new social relationships or collaborations, thereby benefiting society and boosting its capacity to act;

(17) 'social experimentations' mean policy interventions that offer an innovative response to social needs, implemented on a small scale and in conditions that enable their impact to be

measured, prior to being implemented in other contexts or on a larger scale, if the results prove convincing;

18) 'key competences' means the knowledge, skills and competences all individuals need, at any stage of their lives, for personal fulfilment and development, employment, social inclusion and active citizenship. The key competences are: literacy; multilingual; mathematics, science, technology and engineering; digital; personal, social and learning to learn; citizenship; entrepreneurship; cultural awareness and expression;

(19) 'third country' means a country that is not member of the European Union.

2. The definitions in Article [2] of [the future CPR] shall also apply for the ESF+ strand under shared management.

Article 3

General objectives and methods of implementation

The ESF+ aims to support Member States to achieve high employment levels, fair social protection and a skilled and resilient workforce ready for the future world of work, in line with the principles set out in the European Pillar of Social Rights proclaimed by the European Parliament, the Council and the Commission on 17 November 2017.

The ESF+ shall support, complement and add value to the policies of the Member States to ensure equal opportunities, access to the labour market, fair working conditions, social protection and inclusion, and a high level of human health protection.

It shall be implemented:

a) under shared management, for the part of the assistance which corresponds to the specific objectives indicated in Article 4(1) (the 'ESF+ strand under shared management'), and

(b) under direct and indirect management for the part of the assistance which corresponds to the objectives indicated in Articles 4(1) and 23 (the 'Employment and Social Innovation strand') and for the part of the assistance which corresponds to the objectives indicated in Articles 4(1) and (3) and 26 (the 'Health strand').

Article 4

Specific objectives

1. The ESF+ shall support the following specific objectives in the policy areas of employment, education, social inclusion and health and thereby also contributing to the policy objective for "A more social Europe - Implementing the European Pillar of Social Rights" set out in Article [4] of the [future CPR]:

(i) improving access to employment of all jobseekers, in particular youth and long-term unemployed, and of inactive people, promoting self-employment and the social economy;

(ii) modernising labour market institutions and services to assess and anticipate skills needs and ensure timely and tailor-made assistance and support to labour market matching, transitions and mobility;

(iii) promoting women's labour market participation, a better work/life balance including access to childcare, a healthy and well–adapted working environment addressing health risks, adaptation of workers, enterprises and entrepreneurs to change, and active and healthy ageing;

(iv) improving the quality, effectiveness and labour market relevance of education and training systems, to support acquisition of key competences including digital skills;

(v) promoting equal access to and completion of, quality and inclusive education and training, in particular for disadvantaged groups, from early childhood education and care through general and vocational education and training, and to tertiary level, as well as adult education and learning, including facilitating learning mobility for all;

(vi) promoting lifelong learning, notably flexible upskilling and reskilling opportunities for all taking into account digital skills, better anticipating change and new skills requirements based on labour market needs, facilitating career transitions and promoting professional mobility;

(vii) fostering active inclusion with a view to promoting equal opportunities and active participation, and improving employability;

(viii) promoting socio-economic integration of third country nationals and of marginalised communities such as the Roma;

(ix) enhancing the equal and timely access to quality, sustainable and affordable services; modernising social protection systems, including promoting access to social protection; improving accessibility, effectiveness and resilience of healthcare systems and long-term care services;

(x) promoting social integration of people at risk of poverty or social exclusion, including the most deprived and children;

(xi) addressing material deprivation through food and/or basic material assistance to the most deprived, including accompanying measures.

2. Through the actions implemented under the ESF+ strand under shared management to achieve the specific objectives referred to in paragraph 1, the ESF+ shall also contribute to the other policy objectives listed in Article [4] of [the future CPR], in particular those related to:

1. a smarter Europe through the development of skills for smart specialisation, skills for key enabling technologies, industrial transition, sectorial cooperation on skills and entrepreneurship, the training of researchers, networking activities and partnerships between higher education institutions, vocational and educational training (VET) institutions, research and technological centres and enterprises and clusters, support to micro, small and medium sized enterprises and the social economy;

2. a greener, low carbon Europe through the improvement of education and training systems necessary for the adaptation of skills and qualifications, the upskilling of all, including the labour force, the creation of new jobs in sectors related to the environment, climate and energy, and the bioeconomy.

3. Under the Health strand, the ESF+ shall support health promotion and disease prevention, contribute to effectiveness, accessibility and resilience of health systems, make healthcare safer, reduce health inequalities, protect citizens from cross-border health threats, and support EU health legislation.

Article 5

Budget

1. The total financial envelope for the ESF+ for the period 2021-2027 shall be EUR 101 174 000 000 in current prices.

2. The part of the financial envelope for the ESF+ strand under shared management under the Investment for Jobs and Growth goal shall be EUR 100 000 000 000 in current prices or EUR 88 646 194 590 in 2018 prices of which EUR 200 000 000 in current prices or or EUR 175 000 000 in 2018 prices shall be allocated for transnational cooperation supporting innovative solutions as referred to in Article 23(i) and EUR 400 000 000 in current prices or EUR 376 928 934 in 2018 prices as additional funding to the outermost regions identified in Article 349 TFEU and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the 1994 Act of Accession.

3. The financial envelope for the Employment and Social Innovation strand and the Health strand for the period 2021-2027 shall be EUR 1 174 000 000 in current prices.

4. The indicative distribution of the amount referred in paragraph 3 shall be:

   (a) EUR 761 000 000 for the implementation of the Employment and Social Innovation strand;

   (b) EUR 413 000 000 for the implementation of the Health strand.

5. The amounts referred to in paragraphs 3 and 4 may also be used for technical and administrative assistance for the implementation of the programmes, such as preparatory, monitoring, control, audit and evaluation activities including corporate information technology systems.

Article 6

Equality between men and women and equal opportunities, and non-discrimination

1. All programmes implemented under the ESF+ strand under shared management, as well as the operations supported by the Employment and Social Innovation and Health strands shall ensure equality between men and women throughout their preparation, implementation, monitoring and evaluation. They shall also promote equal opportunities for all, without discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation throughout their preparation, implementation, monitoring and evaluation.

2. The Member States and the Commission shall also support specific targeted actions to promote the principles referred to in paragraph 1 within any of the objectives of the ESF+, including the transition from residential/institutional care to family and community-based care.

Part II – Implementation under the ESF+ strand under shared management

Chapter I

Common provisions on programming

Article 7

Consistency and thematic concentration

1. Member States shall concentrate the ESF+ resources under shared management on interventions that address the challenges identified in their national reform programmes, in the European Semester as well as in the relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU and Article 148(4) TFEU, and take into account principles and rights set out in the European Pillar of Social Rights.

Member States and, where appropriate the Commission, shall foster synergies and ensure coordination, complementarity and coherence between the ESF+ and other Union funds, programmes and instruments such as Erasmus, the Asylum and Migration Fund and the Reform Support Programme, including the Reform Delivery Tool and the Technical Support Instrument, both in the planning phase and during implementation. Member States and, where appropriate the Commission, shall optimise mechanisms for coordination to avoid duplication of effort and ensure close cooperation between those responsible for implementation to deliver coherent and streamlined support actions.

2. Member States shall allocate an appropriate amount of their ESF+ resources under shared management to address challenges identified in relevant country-specific recommendations adopted in accordance with Article 121(2) TFEU and Article 148(4) TFEU and in the European Semester falling within the scope of the ESF+ as set out in Article 4.

3. Member States shall allocate at least 25% of their ESF+ resources under shared management to the specific objectives for the social inclusion policy area set out in points (vii) to (xi) of Article 4(1), including the promotion of the socio-economic integration of third country nationals.

4. Member States shall allocate at least 2% of their ESF+ resources under shared management to the specific objective of addressing material deprivation set out in point (xi) of Article 4(1).

In duly justified cases, the resources allocated to the specific objective set out in point (x) of Article 4(1) and targeting the most deprived may be taken into account for verifying compliance with the minimum allocation of at least 2% set out in the first subparagraph of this paragraph.

5. Member States having a rate of young people aged 15 to 29 not in employment, education or training above the Union average in 2019 on the basis of Eurostat data, shall allocate at least 10% of their ESF+ resources under shared management for the years 2021 to 2025 to targeted actions and structural reforms to support youth employment and school-to-work transition, pathways to reintegrate into education or training and second chance education, in particular in the context of implementing Youth Guarantee schemes.

When programming the ESF+ resources under shared management for 2026 and 2027 at mid-term in accordance with Article [14] of [the future CPR], Member States having a rate of young people aged 15 to 29 not in employment, education or training above the Union average in 2024 on the basis of Eurostat data, shall allocate at least 10% of their ESF+ resources under shared management for the years 2026 to 2027 to these actions.

Outermost regions meeting the conditions set out in the first and second subparagraphs shall allocate at least 15% of the ESF+ resources under shared management in their programmes to the targeted actions set out in the first subparagraph. This allocation shall be taken into account for verifying compliance with the minimum percentage at national level set out in the first and second subparagraphs.

When implementing such actions, Member States shall give priority to inactive and long-term unemployed young people and put in place targeted outreach measures.

6. Paragraphs 2 to 5 shall not apply to the specific additional allocation received by the outermost regions and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the 1994 Act of Accession.

7. Paragraphs 1 to 5 shall not apply to technical assistance.

Article 8

Partnership

1. Each Member State shall ensure adequate participation of social partners and civil society organisations in the delivery of employment, education and social inclusion policies supported by the ESF+ strand under shared management.

2. Member States shall allocate an appropriate amount of ESF+ resources under shared management in each programme for the capacity building of social partners and civil society organisations.

Article 9

Addressing material deprivation

The resources referred to in Article 7(4) shall be programmed under a dedicated priority or programme.

Article 10

Support to youth employment

Support in accordance with Article 7(5) shall be programmed under a dedicated priority and it shall support the specific objective set out in point (i) of Article 4(1).

Article 11

Support to relevant country-specific recommendations

The actions addressing the challenges identified in relevant country-specific recommendations and in the European Semester as referred to in Article 7(2) shall be programmed under one or more dedicated priorities.

Chapter II

General support of the ESF+ strand under shared management

Article 12

Scope

This Chapter applies to ESF+ support under points (i) to (x) of Article 4(1) when implemented under shared management (the 'general support of the ESF+ strand under shared management').

Article 13

Innovative actions

1. Member States shall support actions of social innovation and social experimentations, or strengthen bottom-up approaches based on partnerships involving public authorities, the private sector, and civil society such as the Local Action Groups designing and implementing community-led local development strategies.

2. Member States may support the upscaling of innovative approaches tested on a small-scale (social experimentations) developed under the Employment and Social Innovation strand and other Union programmes.

3. Innovative actions and approaches may be programmed under any of the specific objectives set out in points (i) to (x) of Article 4(1).

4. Each Member State shall dedicate at least one priority to the implementation of paragraphs 1 or 2 or to both. The maximum co-financing rate for these priorities may be increased to 95% for the allocation of maximum 5% of the national ESF+ allocation under shared management to such priorities.

Article 14

Eligibility

1. In addition to the costs referred to in Article [58] of [the future CPR], the following costs are not eligible under the general support of the ESF+ strand under shared management:

(a) the purchase of land and real estate, and the provision of infrastructure, and

(b) the purchase of furniture, equipment and vehicles except where the purchase is necessary for achieving the objective of the operation, or these items are fully depreciated, or the purchase of these items is the most economic option.

2. Contributions in kind in the form of allowances or salaries disbursed by a third party for the benefit of the participants in an operation may be eligible for a contribution from the general support of the ESF+ strand under shared management provided that the contributions in kind are incurred in accordance with national rules, including accountancy rules, and do not exceed the cost borne by the third party.

3. The specific additional allocation received by the outermost regions and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the 1994 Act of Accession shall be used to support the achievement of the specific objectives set out in paragraph 1 of Article 4.

4. Direct staff costs shall be eligible for a contribution from the general support of the ESF+ strand under shared management provided that their level is not higher than 100% of the usual remuneration for the profession concerned in the Member State as demonstrated by Eurostat data.

Article 15

Indicators and reporting

1. Programmes benefitting from the general support of the ESF+ strand under shared management shall use common output and result indicators, as set out in Annex 1 to this Regulation to monitor progress in implementation. The programmes may also use programme-specific indicators.

2. The baseline for common and programme-specific output indicators shall be set at zero. Where relevant to the nature of the operations supported, cumulative quantified milestones and target values for those indicators shall be set in absolute numbers. The reported values for the output indicators shall be expressed in absolute numbers.

3. The reference value for common and programme-specific result indicators for which a cumulative quantified milestone for 2024 and a target value for 2029 have been set, shall be fixed using the latest available data or other relevant sources of information. Targets for common result indicators shall be fixed in absolute numbers or as a percentage. Programme-specific result indicators and related targets may be expressed in quantitative or qualitative terms. The reported values on common result indicators shall be expressed in absolute numbers.

4. Data on the indicators for participants shall only be transmitted when all data required under point (1a) of Annex 1 relating to that participant are available.

5. Member States shall, when data are available in registers or equivalent sources, enable the Managing Authorities and other bodies entrusted with data collection necessary for the monitoring and the evaluation of the general support of the ESF+ strand under shared management to obtain those data from data registers or equivalent sources, in accordance with points (c) and (e) of Article 6(1) of Regulation (EU) 2016/679.

6. The Commission is empowered to adopt delegated acts in accordance with Article 38 to amend the indicators in Annex I where considered necessary to ensure effective assessment of progress in the implementation of programmes.

Chapter III

ESF+ support for addressing material deprivation

Article 16

Scope

This Chapter applies to ESF+ support under point (xi) of Article 4(1).

Article 17

Principles

1. The ESF+ support for addressing material deprivation may only be used to support the distribution of food and goods that are in conformity with the Union law on consumer product safety.

2. Member States and beneficiaries shall choose the food and/or the basic material assistance on the basis of objective criteria related to the needs of the most deprived persons. The selection criteria for the food products, and where appropriate for goods, shall also take into consideration climatic and environmental aspects, in particular with a view to reduction of food waste. Where appropriate, the choice of the type of food products to be distributed

shall be made having considered their contribution to the balanced diet of the most deprived persons.

The food and/or basic material assistance may be provided directly to the most deprived persons or indirectly through electronic vouchers or cards, provided that they can only be redeemed against food and/or basic material assistance as set out in Article 2(3).

The food provided for the most deprived persons may be obtained from the use, processing or sale of the products disposed of in accordance with Article 16(2) of Regulation (EU) No 1308/2013, provided that this is economically the most favourable option and does not unduly delay the delivery of the food products to the most deprived persons.

Any amount derived from such a transaction shall be used for the benefit of the most deprived persons, in addition to the amounts already available to the programme.

3. The Commission and the Member States shall ensure that aid provided in the framework of the ESF+ support for addressing material deprivation respects the dignity and prevents stigmatisation of the most deprived persons.

4. The delivery of food and/or material assistance may be complemented with re-orientation towards competent services and other accompanying measures aiming at the social inclusion of the most deprived persons.

Article 18

Content of the priority

A priority concerning support under point (xi) of Article 4(1) shall set out:

(a) the type of support;

(b) the main target groups.

(c) a description of the national or regional schemes of support

In the case of programmes limited to this type of support and the related technical assistance,the priority shall also include the criteria for the selection of operations.

Article 19

Eligibility of operations

1 The food and/or basic material assistance provided to the most deprived persons may be purchased by or on behalf of the beneficiary or made available free of charge to the beneficiary.

2. The food and/or basic material assistance shall be distributed free of charge to the most deprived persons.

Article 20

Eligibility of expenditure

1. The eligible costs of the ESF+ support for addressing material deprivation shall be:

(a) the costs of purchasing food and/or basic material assistance, including costs related to transporting food and/or basic material assistance to the beneficiaries delivering the food and/or basic material assistance to the end recipients;

(b) where the transport of the food and/or basic material assistance to the beneficiaries distributing them to the end recipients is not covered by point (a), the costs borne by the purchasing body related to transporting food and/or basic material assistance to the storage depots and/or the beneficiaries and storage costs at a flat-rate of 1% of the costs referred to in point (a) or, in duly justified cases, costs actually incurred and paid;

(c) the administrative, transport and storage costs borne by the beneficiaries involved in the distribution of the food and/or basic material assistance to the most deprived at a flat-rate of 5% of the costs referred to in point (a); or 5% of the costs of the value of the food products disposed of in accordance with Article 16 of Regulation (EU) No 1308/2013

(d) the cost of collection, transport, storage and distribution of food donations and directly related awareness raising activities;

(e) the costs of accompanying measures undertaken by or on behalf of beneficiaries and declared by the beneficiaries delivering the food and/or basic material assistance to the most deprived persons at a flat- rate of 5% of the costs referred to in point (a).

2. A reduction of the eligible costs referred to in point (a) of paragraph 1 because the body responsible for the purchase of food and/or basic material assistance did not comply with applicable law, shall not lead to a reduction of the eligible costs set out in points (c) and (e) of paragraph 1.

3. The following costs shall not be eligible:

(a) interest on debt;

(b) provision of infrastructure;

(c) costs of second-hand goods.

Article 21

Indicators and reporting

1. Priorities addressing material deprivation shall use common output and result indicators, as set out in Annex II to this Regulation to monitor progress in implementation. These programmes may also use programme-specific indicators.

2. The reference values for common and programme-specific result indicators shall be established.

3. By 30 June 2025 and 30 June 2028, Managing Authorities shall report to the Commission the results of a structured survey of the end recipients carried out during the previous year. This survey shall be based on the model which shall be established by the Commission by means of an implementing act.

4. The Commission shall adopt an implementing act establishing the model to be used for the structured survey of end recipients in accordance with the advisory procedure referred to in Article 39(2) in order to ensure uniform conditions for the implementation of this Article.

5. The Commission is empowered to adopt delegated acts in accordance with Article 38 to amend the indicators in Annex II where considered necessary to ensure effective assessment of progress in the implementation of programmes.

Article 22

Audit

Audit of operations may cover all stages of its implementation and all levels of the distribution chain, with the sole exception of control of the end recipients, unless a risk assessment establishes a specific risk of irregularity or fraud.

Part III – Implementation under direct and indirect management

Chapter I – Specific rules for the Employment and Social Innovation strand

Section I: General provisions

Article 23

Operational objectives

The Employment and Social Innovation strand has the following operational objectives:

a) to develop high-quality comparative analytical knowledge in order to ensure that policies to achieve the specific objectives referred to in Article 4 are based on sound evidence and are relevant to needs, challenges and conditions in the associated countries;

b) to facilitate effective and inclusive information-sharing, mutual learning, peer reviews and dialogue on policies in the fields referred to in Article 4 in order to assist the associated countries in taking appropriate policy measures;

c) to support social experimentations in the fields referred to in Article 4 and build up the stakeholders' capacity to implement, transfer or upscale the tested social policy innovations;

d) to provide specific support services to employers and job-seekers with a view to the development of integrated European labour markets, ranging from pre-recruitment preparation to post-placement assistance to fill vacancies in certain sectors, professions, countries, border regions or for particular groups (e.g. vulnerable people);

e) to support the development of the market eco-system related to the provision of microfinance for micro-enterprises in start-up and development phases, in particular those that employ vulnerable people;

f) to support networking at Union level and dialogue with and among relevant stakeholders in the fields referred to in Article 4 and contribute to build up the institutional capacity of these stakeholders, including the public employment services (PES), social security institutions, microfinance institutions and institutions providing finance to social enterprises and social economy;

g) to support the development of social enterprises and the emergence of a social investment market, facilitating public and private interactions and the participation of foundations and philanthropic actors in that market;

h) to provide guidance for the development of social infrastructure (including housing, child care and education and training, health care and long term care) needed for the implementation of the European Pillar of Social Rights;

i) to support transnational cooperation to accelerate the transfer of, and to facilitate the scaling of, innovative solutions, in particular for the areas of employment, skills and social inclusion, across Europe.

j) to support the implementation of relevant international social and labour standards in the context of harnessing globalisation and the external dimension of Union policies in the fields referred to in Article 4.

Section II - Eligibility

Article 24

Eligible actions

1. Only actions pursuing the objectives referred to in Article 3 and 4 shall be eligible for funding.

2. The Employment and Social Innovation strand may support the following actions:

(a) Analytical activities, including in relation to third countries, in particular:

(i) surveys, studies, statistical data, methodologies, classifications, micro-simulations, indicators, support to European-level observatories and benchmarks;

(ii) social experimentations evaluating social innovations;

(iii) monitoring and assessment of the transposition and application of Union law;

(b) Policy implementation, in particular:

(i) cross-border partnerships and support services in cross-border regions;

(ii) an EU-wide labour targeted mobility scheme at Union level to fill job vacancies where labour market shortcomings have been identified;

(iii) support to microfinance and social enterprises, including through blending operations such as asymmetric risk sharing or reducing transaction costs, as well as support to the development of social infrastructure and skills;

(iv) support to transnational cooperation and partnership with a view to transferring and upscaling innovative solutions;

(c) Capacity building, in particular:

(i) of networks at Union level related to the fields referred to in Article 4(1);

(ii) of national contact points providing guidance, information and assistance related the implementation of the strand;

(iii) of participating countries administrations, social security institutions and employment services responsible for promoting labour mobility, of microfinance institutions and of institutions providing finance to social enterprises or other social investment actors, as well as networking;

(iv) of stakeholders in view of transnational cooperation;

(d) Communication and dissemination activities, in particular:

(i) mutual learning through exchange of good practices, innovative approaches, results of analytical activities, peer reviews, and benchmarking;

(ii) guides, reports, informative material and media coverage of initiatives related to the fields referred to in Article 4(1);

(iii) information systems disseminating evidence related to the fields referred to in Article 4(1);

(iv) Council Presidency events, conferences and seminars.

Article 25

Eligible entities

1. In addition to the criteria set out in Article [197] of the Financial Regulation, the following criteria shall apply for entities to be eligible:

(a) Legal entities established in any of the following countries:

(i) a Member State or an overseas country or territory linked to it;

(ii) an associated country ;

(iii) a third country listed in the work programme under the conditions specified in paragraphs 2 and 3;

(b) Any legal entity created under Union law or any international organisation.

2. Legal entities established in a third country which is not an associated country are exceptionally eligible to participate where this is necessary for the achievement of the objectives of a given action.

3. Legal entities established in a third country which is not an associated country should in principle bear the cost of their participation.

Chapter II – Specific provisions for the Health strand

Section I: General provisions

Article 26

Operational objectives

1. Only actions implementing the objectives referred to in Articles 3 and 4 shall be eligible for funding.

2. The Health strand has the following operational objectives:

a) Strengthen crisis-preparedness, management and response in the Union to protect citizens against cross-border health threats.

(i) Capacity-building measures for crisis preparedness, management and response

(ii) Respond to cross-border health threats during crisis

(iii) Support laboratory capacity

(iv) Addressing antimicrobial resistance

b) Empower health systems

(i) Invest in health promotion and disease prevention

(ii) Support the digital transformation of health and care

(ii) Support the development of a sustainable Union health information system

(iii) Support Member States with knowledge transfer useful for the national reform processes for more effective, accessible and resilient health systems and better health promotion and disease prevention addressing, in particular, the challenges identified in the European Semester

(iv) Develop and implement approaches responding to future health system challenges.

c) Support Union health legislation

(i) support the implementation of the legislation on medicinal products and medical devices

(ii) Support the implementation of Union legislation on Health Technology Assessment (HTA) [26]

(iii) Monitor and support Member States in their implementation of legislation in the area of substances of human origin (SoHO)

(iv) Support the implementation of tobacco legislation

(v) Support the implementation of Union legislation in the area of cross-border healthcare

(vi) Support to the Commission' scientific committees on "Consumer Safety" and on "Health, Environmental and Emerging Risks"

d) Support integrated work (e.g. ERNs, HTA and implementation of best practices for the promotion of health, prevention and management of diseases)

(i) Continue support for the European Reference Networks (ERNs)

(ii) Support the development of cooperation on Health Technology Assessment (HTA) in preparation of new harmonised rules

(iii) Support the implementation of best practices for innovation in public health

Section II

Eligibility

Article 27

Eligible actions

1. Only actions pursuing the objectives referred to in Articles 3 and 26 are eligible for funding.

2. The Health strand may support the following actions:

[26] The Commission adopted a proposal on HTA (COM(2018)51 final)

(a) Analytical activities, in particular:

(i) surveys, studies, collection of data, methodologies, classifications, micro-simulations, indicators, and benchmark exercises;

(ii) monitoring and assessment of the transposition and application of Union law;

(b) Policy implementation, in particular:

(i) cross-border collaboration and partnerships, including in cross-border regions;

(ii) support to transnational cooperation and partnerships with a view to transferring and upscaling innovative solutions;

(iii) Health crisis preparedness exercises.

(c) Capacity building, in particular:

(i) through transfer, adaptation and roll-out of best practices with established Union level added value between Member States;

(ii) of EU-level networks related to the fields referred to in Article 26;

(iii) through support for the deployment, operation and maintenance of an IT infrastructure for data exchange;

(iv) of national contact points providing guidance, information and assistance related the implementation of the programme;

(v) of stakeholders in view of transnational cooperation;

(vi) through assistance in cooperation with third countries;

(vii) through procurement of goods and services in case of health crisis.

(d) Communication and dissemination activities, in particular:

(i) mutual learning through exchange of good practices, innovative approaches, results of analytical activities, peer reviews, and benchmarking;

(ii) guides, reports, informative material and media coverage of initiatives related to the fields referred to in Article 26;

(iii) information systems disseminating evidence related to the fields referred to in Article 26;

(iv) Council Presidency events and respective preparatory actions, conferences and seminars.

3. The actions referred to in the second paragraph shall only be eligible insofar as they support the creation of economies of scale, the improvement of crisis preparedness, the rolling out of identified, high added value best practices, or aim to ensure that Union rules in the areas referred to in Article 26(3) are implemented, enforced, evaluated and reviewed where necessary.

Article 28

Eligible entities and costs

1. In addition to the criteria set out in Article 197 of the Financial Regulation, the following criteria shall apply for entities to be eligible:

(a) legal entities established in any of the following countries:

(i) a Member State or an overseas country or territory linked to it;

(ii) an associated country ;

(iii) third country listed in the work programme under the conditions specified in paragraph 3 and 4;

(b) any legal entity created under Union law or any international organisation;

2. Natural persons are not eligible.

3. Legal entities established in a third country which is not an associated country are exceptionally eligible to participate where this is necessary for the achievement of the objectives of a given action.

4. Legal entities established in a third country which is not an associated country should in principle bear the cost of their participation.

5. In exceptional cases, during a crisis caused by a serious cross-border health threat as defined in Decision 1082/2013/EU[27], costs incurred in non-associated countries may be considered exceptionally eligible if they are duly justified for reasons of countering the spread of the risk for the protection of health of EU citizens.

Article 29

Governance

The Commission shall consult the health authorities of the Member States in the Steering Group on Health Promotion, Disease Prevention and Management of Non-Communicable Diseases or in other relevant Commission expert group or similar entities on the work plans established for the Health strand and its priorities and strategic orientations and its implementation, and also on the health policy perspective of other policies and support mechanisms, thus increasing their overall coordination and added value.

Chapter III

Common Rules applicable to the Employment and Social Innovation and Health strands

Article 30

Participation of third countries associated to the Employment and Social Innovation and Health strands

[27] Decision No 1082/2013/EU of the European Parliament and of the Council of 22 October 2013 on serious cross-border threats to health and repealing Decision No 2119/98/EC Text with EEA relevance; OJ : JOL 2013 293_R_0001_01

1. The Employment and Social Innovation and Health strands shall be open to the following associated countries:

(a) European Free Trade Association (EFTA) members which are members of the European Economic Area (EEA), in accordance with the conditions laid down in the EEA agreement;

(b) acceding countries, candidate countries and potential candidates, in accordance with the general principles and general terms and conditions for the participation of those countries in Union programmes established in the respective framework agreements and Association Council decisions, or similar agreements, and in accordance with the specific conditions laid down in agreements between the Union and those countries;

(c) third countries, in accordance with the conditions laid down in a specific agreement covering its participation to the strand, provided that the agreement

(1) ensures a fair balance as regards the contributions and benefits of the third country participating in the Union programmes;

(2) lays down the conditions of participation in the programmes, including the calculation of financial contributions to individual programmes or strands of programmes and their administrative costs. These contributions shall constitute assigned revenues in accordance with Article [21(5)] of [the new Financial Regulation];

(3) does not confer to the third country a decisional power on the strand;

(4) guarantees the rights of the Union to ensure sound financial management and to protect its financial interests.

2. In addition, the Health strand shall also be open to countries covered by the European Neighbourhood Policy, in accordance with the general principles and general terms and conditions for the participation of those countries in Union programmes established in the respective framework agreements and association council decisions, or similar agreements;, and in accordance with the specific conditions laid down in agreements between the Union and those countries.

Article 31

Forms of EU funding and methods of implementation

1. The Employment and Social Innovation and Health strands may provide funding in any of the forms laid down in the Financial Regulation, in particular grants, prizes, procurement and voluntary payments to International Organisations of which the Union is a member or in whose work it participates.

2. The Employment and Social Innovation and Health strands shall be implemented directly as provided for by the Financial Regulation or indirectly with bodies referred to in Article [61(1)(c)] of the Financial Regulation.

When awarding grants, the evaluation committee referred to in article [150] of the Financial Regulation may be composed of external experts.

3. Blending operations under the Employment and Social Innovation strand shall be implemented in accordance with the [InvestEU regulation] and Title X of the Financial Regulation.

4. Under the Health strand, direct grants may be awarded without a call for proposals to fund actions having a clear Union added value co-financed by the competent authorities that are responsible for health in the Member States or in the third countries associated to the Programme, or by public sector bodies and non-governmental bodies, acting individually or as a network, mandated by those competent authorities.

5. Under the Health strand, direct grants may be awarded without a call for proposals to European Reference Networks that are approved as Networks by the Board of Member States of the European Reference Networks, following the approval procedure set out in Commission Implementing Decision 2014/287/EU of 10 March 2014 setting out criteria for establishing and evaluating European Reference Networks and their Members and for facilitating the exchange of information and expertise on establishing and evaluating such Networks.

Article 32

Work programme and coordination

The Employment and Social Innovation strand and Health strand shall be implemented by work programmes referred to in Article [108] of Financial Regulation. Work programmes shall set out, where applicable, the overall amount reserved for blending operations.

The Commission shall foster synergies and ensure effective coordination between the Health strand of ESF+ and the Reform Support Programme, including the Reform Delivery Tool and the Technical Support Instrument

Article 33

Monitoring and reporting

1. Indicators to monitor implementation and progress of the strands towards the achievement of the specific objectives set out in Article 4 and the operational objectives set out in Articles 23 and 26 shall be set.

2. The performance reporting system shall ensure that data for monitoring implementation of the strands and results are collected efficiently, effectively and in a timely fashion. To that end, proportionate reporting requirements shall be imposed on recipients of Union funds and, where relevant, Member States.

3. The Commission is empowered to adopt delegated acts in accordance with Article 38 to supplement or amend the indicators in Annex III where considered necessary to ensure effective assessment of progress in the implementation of the strands.

Article 34

Protection of the financial interests of the Union

Where a third country participates in the programme by a decision under an international agreement, the third country shall grant the necessary rights and access required for the authorizing officer responsible, the European Anti-Fraud Office (OLAF), the European Court of Auditors to comprehensively exert their respective competences. In the case of OLAF, such rights shall include the right to carry out investigations, including on-the-spot checks and inspections, provided for in Regulation (EU, Euratom) No 883/2013 of the European

Parliament and of the Council concerning investigations conducted by the European Anti-Fraud Office (OLAF).

Article 35

Evaluation

1. Evaluations shall be carried out in a sufficiently timely manner to feed into the decision-making process.

2. The interim evaluation of the strands may be performed once there is sufficient information available about their implementation, but not later than four years after the start of the implementation of the strands.

3. At the end of the implementation period, but no later than four years after the end of the period specified in Article 5, a final evaluation of the strands shall be carried out by the Commission.

4. The Commission shall communicate the conclusions of the evaluations accompanied by its observations, to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

Article 36

Audits

Audits on the use of the Union contribution carried out by persons or entities, including by other than those mandated by the Union Institutions or bodies, shall form the basis of the overall assurance pursuant to Article 127 of the Financial Regulation.

Article 37

Information, communication and publicity

1. The recipients of Union funding shall acknowledge the origin and ensure the visibility of the Union funding (in particular when promoting the actions and their results), by providing coherent, effective and targeted information to multiple audiences, including the media and the public.

2. The Commission shall implement information and communication actions relating to the Employment and Social Innovation and Health strands, and their actions and results. Financial resources allocated to the Employment and Social Innovation and Health strands shall also contribute to the corporate communication of the political priorities of the Union, as far as they are related to the objectives referred to in Articles 4, 23 and 26.

Part IV – Final Provisions

Article 38

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Article 15(6), Article 21(5) and Article 33(3) shall be conferred on the Commission for an indeterminate period of time from date of entry into force of this Regulation.

3. The delegation of power referred to in Article 15(6), Article 21(5) and Article 33(3)may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016[28].

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to Article 15(6), Article 21(5) and Article 33(3) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 39

Committee Procedure for the ESF+ strand under shared management

1. The Commission shall be assisted by the committee referred to in Article [109(1)] of [the future CPR].

2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply.

[28] OJ L 123, 12.5.2016, p. 13.

Article 40

Committee under Article 163 TFEU

1. The Commission shall be assisted by the Committee set up under Article 163 TFEU (the 'ESF+ Committee').

2. Each Member State shall appoint one government representative, one representative of the workers' organisations, one representative of the employers' organisations and one alternate for each member for a maximum period of seven years. In the absence of a member, the alternate shall be automatically entitled to take part in the proceedings.

3. The ESF+ Committee shall include one representative from each of the organisations representing workers' organisations and employers' organisations at Union level.

4. The ESF+ Committee shall be consulted on the planned use of technical assistance in the case of support from the ESF+ strand under shared management, as well as on other issues having an impact on the implementation of strategies at Union level relevant to the ESF+;

5. The ESF+ Committee may deliver opinions on:

(a) questions related to the ESF+ contribution to the implementation of the European Pillar of Social Rights, including country-specific recommendations and semester-related priorities (national reform programmes, etc.);

(b) issues concerning the [future CPR] relevant for the ESF+;

(c) questions related to the ESF+ referred to it by the Commission other than those referred to in paragraph 4.

The opinions of the ESF+ Committee shall be adopted by an absolute majority of the votes validly cast, and shall be communicated to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, for information. The Commission shall inform the ESF+ Committee of the manner in which it has taken account of its opinions.

6. The ESF+ Committee may set up working groups for each of the strands of the ESF+.

Article 41

Transitional provisions for the ESF+ under shared management

Regulation (EU) No 1304/2013 of the European Parliament and of the Council[29], Regulation (EU) No 223/2014 of the European Parliament and of the Council[30] or any act adopted thereunder shall continue to apply to programmes and operations supported by the European Social Fund and the Fund for European Aid to the Most Deprived under the 2014-2020 programming period.

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[29] Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006 (OJ L 347, 20.12.2013, p. 470).

[30] Regulation (EU) No 223/2014 of the European Parliament and of the Council of 11 March 2014 on the Fund for European Aid to the Most Deprived (OJ L 72, 12.3.2014, p. 1).

Article 42

Transitional provisions for the Employment and Social Innovation strand and the Health strand

1. Regulation (EU) No 1296/2013 of the European Parliament and of the Council[31] and Regulation (EU) No 282/2014 of the European Parliament and of the Council[32] are repealed with effect from 1 January 2021.

2. The financial envelope for the Employment and Social Innovation strand and the Health strand may also cover technical and administrative assistance expenses necessary to ensure the transition between the ESF+ and the measures adopted under its predecessors: the Employment and Social Innovation programme and the Union Programme for Health.

3. If necessary, appropriations may be entered in the budget beyond 2027 to cover the expenses provided for in Article 5(6) [technical and administrative assistance], to enable the management of actions not completed by 31 December 2027.

4. Reflows from financial instruments established by Employment and Social Innovation programme (EaSI 2014-2020) shall be invested in the financial instruments of the "social window" of the InvestEU Fund established under Regulation XXX.

Article 43

Entry into force

This Regulation shall enter into force on the twentieth day following its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*

[31] Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation ("EaSI") and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion (OJ L 347, 20.12.2013, p. 238).

[32] Regulation (EU) No 282/2014 of the European Parliament and of the Council of 11 March 2014 on the establishment of a third Programme for the Union's action in the field of health (2014-2020) and repealing Decision No 1350/2007/EC (OJ L 86, 21.3.2014, p. 1).

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

[Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund + and repealing Regulations (EU) No. 1296/2013, (EU) No. 1304/2013 and (EU) No. 223/2014]

1.2. Policy area(s) concerned *(Programme cluster)*

Investing in People, Social Cohesion & Values

Title 07

Chapter 07 02 – ESF+

1.3. The proposal/initiative relates to:

☑ **a new action**

☐ **a new action following a pilot project/preparatory action**[33]

☐ **the extension of an existing action**

☐ **a merger or redirection of one or more actions towards another/a new action**

1.4. Grounds for the proposal/initiative

1.4.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The ESF+ is the main EU instrument to invest in people and makes a significant contribution to a more social Europe, bringing Europe close to the citizens and delivering every day results for the people who are most in need in our societies. The ESF+ contributes to increasing socio-econcomic convergence between Member States which is a necessary condition for the proper functionning of the EU as a stable and viable economic and political union.

Following the adoption of the ESF+ Regulation Member States will programme their budgetary allocations in line with guidance received in the context of the European Semester in the previous year. The new programming period will start on 1 January 2021 and the Commission has taken measures to speed up the Fund's implementation as much as possible, for example by dropping the requirement to notify the designation of Managing authorities to the Commission, thus avoiding the delays of the 2014-2020 period.

Implementation in direct management will also start immediately after the entry inot force of the programme.

1.4.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting

[33] As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

from Union intervention which is additional to the value that would have been otherwise created by Member States alone.

Reasons for action at European level (ex-ante): EU added value is generated by providing investments in areas and target groups that would not take place otherwise, by widening the scope of existing actions, supporting the mainstreaming of innovations and by enhancing the capacity of Member States administrations. Ample evidence demonstrates that EU policies aiming at promoting social cohesion and social rights would not have been implemented without complementary EU investment. Thanks to European funding, Member States have invested in areas, targert groups and reforms in a way that would have been impossible with national funding only. While the competence to deal with employment and social affairs rests mainly at national level, given the scale and effect of the challenges, action has proven more effective and efficient if the EU level supports the efforts made by Member States and helps promote reforms beneficial to individual countries and the EU as a whole.

Expected generated Union added value (ex-post): The challenges faced by European economies and societies in particular as regards employment, education, skills and social issues call for continued investments in these areas. The initiative is expected to contribute to implement EU policies and priorities in these areas (such as the employment guidelines and the European pillar of social rights), promote best practices and cooperation (to improve policy-making and implementation capacity, facilitate transantional cooperation) and promote EU values (such as equality and social justice). In the long term, the initiative is expected to contribute to the socio-economic convergence of Member States and to make the European economy and societies more resilient.

1.4.3. Lessons learned from similar experiences in the past

Evaluations of current and previous programming periods and related studies all confirm the effectiveness, efficiency, relevance, EU added value and coherence of the funds covered by this Regulation. Member States have invested in policy areas, target groups and reforms in a way that would not have been possible with national funding only. In particular:

- the 2000-2006 and 2007-2013 ESF ex-post evaluations recognise ESF investments as relevant, efficient and effective. The ESF's alignment with EU policies and priorities under the Lisbon Strategy and the Europe 2020 strategy for smart, sustainable and inclusive growth was strengthened over time. At the same time, being one of the structural funds, the ESF contributes to the Treaty's goals of economic, social and territorial cohesion through increased concentration of resources. For example, the ESF (with the associated national funding) accounts for 70 % of active measures in 11 Member States.

- through its support for young people not in employment, education or training (NEETs) in specific EU regions, the YEI raised the visibility of youth employment policies, but also brought about a shift in policy-making in a number of Member States by supporting the setting-up and implementation of youth guarantee schemes;

- preliminary results of the FEAD mid-term evaluation, including feedback from stakeholders, indicate that the food, material aid and social inclusion operations that it has supported make a difference to the most deprived, including those who might otherwise be left out of mainstream social assistance or who need immediate support;

- the mid-term evaluation of the EaSI shows that its objectives are still relevant, in particular in a challenging socio-economic context characterised by the aftermath of the financial and economic crisis and that it was effective in reaching the relevant stakeholders, generating outcomes and achieving its objectives.

However, evaluations and studies also provide evidence of a number of challenges, mostly regarding the need for greater coherence and synergy, flexibility and policy alignment, performance and results orientation, and simplification. In particular the funding landscape and, to a greater or lesser degree, the implementation of the funds, need to be simplified. The areas to be addressed are summarised in the Impact Assessment accompanying the legislative proposal.

1.4.4. Compatibility and possible synergy with other appropriate instruments

The initiative aims at improving synergies and coherence between ESF+ and other funds investing in human capital development.

With the ERDF the ESF+ shares in particular the objective of economic and social cohesion. Coordination is ensured through common rules for shared management in areas such as programming and financial managament. Multi-fund programmes will continue to be possible to allow integrated approaches in programming and implementation. Common rules will also ensure compatibility between ERDF, ESF+ and EAFRD and EMFF programmes.

The ESF+ and Erasmus+ cooperation will be supported more actively by including suitable provisions in the regulations to be worked out in detail in work programmes and programme guides.

The ESF + will continue to support the long term integration of migrants while the AMIF will cover short term needs.

As the main EU instrument for investing in human capital and skills, the ESF+ will continue to make an important contribution to human capital development in research and innovation (R&I) in synergy with Horizon Europe.

1.5. Duration and financial impact

☑ **limited duration**

– ☑ in effect from 01/01/2021 to 31/12/2027

– ☑ Financial impact from 2021 to 2027 for commitment appropriations and from 2021 to 2030 for payment appropriations.

☐ **unlimited duration**

– Implementation with a start-up period from YYYY to YYYY,followed by full-scale operation.

1.6. Management mode(s) planned[34]

☑ **Direct management** by the Commission

– ☑ by its departments, including by its staff in the Union delegations;

– ☑ by the executive agencies

☑ **Shared management** with the Member States

☑ **Indirect management** by entrusting budget implementation tasks to:

– ☐ third countries or the bodies they have designated;

– ☑ international organisations and their agencies (to be specified);

– ☐the EIB and the European Investment Fund;

– ☑ bodies referred to in Articles 70 and 71 of the Financial Regulation;

– ☑ public law bodies;

– ☑ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;

– ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;

– ☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

– *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

The ESF+ will be split under two main strands, one in shared management covering the previous ESF, FEAD and YEI programmes, and the other one in direct and indirect management, regrouping the activities from the former Employment and Social Innovation (EaSI) and Health programmes.

For the implementation of ESF+, the current activities with international organisations like UN agencie, notably theWHO, as well as OECD and ILO will be continued.

Besides the new transnational cooperation activities foreseen might be implemented under indirect management, relying on ESF managing authorities.

[34] Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

Under shared management, common outputs and result indicators will be defined at programme level. Data on common output and result indicators will be transmitted electronically by the Member States authorities to the Commission 6 times a year. Their consistency will be checked. The reliability of the system for collecting, recording and storing data for monitoring, evaluation, financial management and verification will be audited.

Under Direct and indirect management, performance frameworks will be developed building on the relevant practices of the former EaSI and Health frameworks to ensure that data is collected efficiently, effectively and timely.

2.2. Management and control system(s)

2.2.1. Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

The Draft CPR foresees payments from the Commission taking the form of pre-financing, interim payments and payments following the cleareance of accounts.The prefinancing is paid annually following the percentages forseen in the CPR. Interim payments are calculated following the agreed co-financing rates by priority agreed in the operational programme. Unlike for the current programming period, the number of interim payment applications is limitted to 4 per year submitted on a quarterly basis.

The draft CPR foresees different modalities for disclosing interim payments depending on whether the implementation of the programme is based either on the real costs declared by the Member State or based on "simplified costs option" or upon the achievement of conditions.

The draft CPR proposal (shared management) builds on the one in place for the 2014-2020 programming period. However, there are certain measures proposed that aim at simplifying the implementation and at reducing the audit burden upon Member States and their beneficiaries. These measures are related to both the management of the funds by the Managing Authority which, as proposed, shall base the management verifications on a risk analysis. Secondly, under certain conditions, the Managing Authority may decide to apply enhanced control arrangements in line with national procedures without prior authorisation from the Commission. Also, the designation process has been deleted which should speed up the implementation of the programmes.

The draft proposal for CPR does not forsee a Certifying Authority but rather the presence of an accounting function. The reasoning behind this is that it would lead to less administration at national level.

As far as the audit of declared expenditure is concerned, the CPR proposal contains certain elements that aim at avoiding multiple audits for the same operation/expenditure.

Under the draft CPR rules, interim payments will be certified to the Commission after management checks - on a risk based sample of expenditure claims submitted

by beneficiaries - have been carried out, but frequently before on the spot in-depth management checks or subsequent audit activities took place.

In order to mitigate the risk of reimbursing ineligible expenses due to this, a number of measures have been foreseen in the proposals

1) **Interim payments by the Commission continue to be capped at 90% of the amount due to Member States, as at this point only part of the national controls have been carried out.** The remaining balance will be paid following the annual clearance of accounts once audit evidence and reasonable assurance has been provided by the managing authority and the audit authority. Any irregularities detected by the Commission or the European Court of Auditors after the transmission of annual certified accounts by the managing/certifying authority may lead to a net correction.

2) **continuation of an annual clearance of accounts and of an annual closure of completed operations or expenditure**, which will create additional incentives for national and regional authorities to undertake quality controls in a timely manner in view of the annual certification of accounts to the Commission.

The Health and Employment and Social Innovation strand of the programme will be implemented through direct and indirect management, using the implementation modes offered by the Financial Regulation, mainly being grants and procurement. Direct management allows to establish direct contacts with beneficiaries/contractors directly engaged in activities that serve Union policies. The Commission ensures direct monitoring over the outcome of the actions financed. The payment modalities of the actions funded will be adapted to the risks pertaining to the financial transactions. In order to ensure the effectiveness, efficiency and economy of the Commission controls, the strategy will be oriented towards a balance of ex-ante and ex-post checks.

Regarding direct and indirect management Ex-post audits will also be carried out on-the-spot by external auditors for a sample of transactions. The selection of these transactions will combine a risk assessment and and a random selection.

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

The reduced control environment may lead to an increase in error. It is anticipated that this risk is mitigated by the capping of reimbursements and by the annual clearance of accounts. It is however likely that corrections at national level will be higher, thus leading to a degree of frustration at Member State level. This frustration may also be fueled by the fact that the current drafting of the CPR actually obliges the Managing Authorities to carry out controls on a risk based approach rather than on the 100% basis as in the past. This requirement may also be in conflict with existing national legislation that requires an exhaustive verification of costs declared (also for the national matching funding). This may be an element which has not been sufficiently considered in the proposal.

The elimination of the Certifying Authority reduces an extra filter in the management and control of the incurred expenditure. During the previous two programming periods, Certifying Authorities played an important role in filtering out ineligible expenditure and in making additional financial corrections where needed. The current CPR proposal does not mitigate this risk.

The reduced audit work may lead to non-identification of residual errors and may hence undermine the assurance process of the Commission. In our view, this risk is not mitigated, especially since the proportionate control arrangements also limit the Commission's powers in respect of auditing. We consider therefore that this risk is accepted by the legislator.

As regards the budget implemented through direct and indirect management, the implementation focuses on the attribution of public procurement contracts while a number of grants for specific activities and organisations are foreseen.

The public procurement contracts will mainly be concluded in areas such as studies, data collection, evaluation contracts, training, information campaigns, IT and communication services, facilities management etc. The contractors are mainly consultancy firms and other private companies of which many SMEs; in the Health strand, there are institutes and laboratories as well as main contractors.

Grants will mainly be awarded for support activities to non-governmental organisations, national agencies, universities etc. The period of execution of the subsidised projects and activities varies from one to three years mostly.

The main risks are the following:

• Risk of inefficient or non-economic use of funds awarded, both for grants (complexity of funding rules, especially for small operators) and for procurement (limited number of economic providers with the required specialist knowledge entailing insufficient possibilities to compare price offers in some sectors);

• Reputational risk for the Commission, if fraud or criminal activities are discovered; only partial assurance can be drawn from the third parties' internal control systems due to the rather large number of heterogeneous contractors and beneficiaries, each operating their own control system, often rather small in size.

The Commission put in place internal procedures that aim at covering the risks identified above. The internal procedures are in full compliance with the Financial Regulation and include anti-fraud measures and cost-benefit considerations. Within this framework, the Commission continues to explore possibilities to enhance the management and to realise efficiency gains. Main features of the control framework are the following:

Controls before and during the implementation of the projects:

• Model grant agreements and service contracts are being used, developed within the Commission. They provide for a number of control provisions such as audit certificates, financial guarantees, on-site audits as well as inspections by OLAF. The rules governing the eligibility of costs are being simplified, for example, by using unit costs, lump sums, contributions not linked to costs and other possibilities offered by the Financial Regulation. This will reduce the cost of controls and put the focus on checks and controls in high risk areas.

• All staff sign up to the code of good administrative behaviour. Staff who are involved in the selection procedure or in the management of the grant agreements/contracts (also) sign a declaration of absence of a conflict of interest. Staff is regularly trained and uses networks to exchange best practices.

• Technical implementation of a project is checked at regular intervals at the desk on the basis of technical progress reports of the contractors and beneficiaries; in addition

contractors'/beneficiaries' meetings and on-site-visits are foreseen on a case by case basis.

Controls at the end of the project: Ex-post audits are performed to verify on-the-spot the eligibility of cost claims. The aim of these controls is to prevent, detect and correct material errors related to the legality and regularity of financial transactions. With a view to achieving a high control impact, the selection of beneficiaries to be audited foresees to combine a risk based selection with a random sampling, and to pay attention to operational aspects whenever possible during the on-site audit.

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)

The option to have an accounting function, which could allow the Member State to save a substantial part of the 4% of the current costs relating to certification due to a reduction in the functions of the management and control systems;

-the use of simplified costs and SCOs not linked to costs, which reduces administrative costs and burdens at all levels, for both administrations and beneficiaries;

-proportionate control arrangements for management verifications (risk based) and for audits;

-annual closure, which will reduce the cost of retention of documents for control purposes for public administrations and beneficiaries.

Therefore overall it is expected that proposals will lead to a redistribution of control costs (remaining around 2% of the total funding managed), rather than an increase or a reduction.

Against the background of the experience gained with the implementation of the previous (strands of the) programme in direct management and the main design features of the new programme, the risks of the programme implementation are assessed to remain relatively stable. Thanks to the combination of grants and procurement, ex-ante and ex-post controls as well as desk checks and on-site audits, the quantifiable average residual error rate is expected to remain below 2%.

For direct and indirect management, the yearly cost of the suggested level of controls represents approximately 4 to 7% of the yearly budget of the operational expenditure. This is justified by the high amount of transactions to be controlled. Indeed, in the area of employment and social affairs and health, direct management involve the attribution of numerous contracts and grants for actions, and the payment of numerous operating grants to non-governmental organisations and trade unions. The risk related to these activities concerns the capacity of (especially) smaller organisations to effectively control expenditure.

On a 5 years basis, the error rate for the on-the-spot audits of grants under direct management was 1.8%. and globally taking into account the low risk level for procurement below 1 %. This level of error is considered acceptable, as it is under the materiality level of 2%.

The proposed changes for the programme will not affect the way the appropriations are currently managed. The existing control system proved to be able to prevent and/or to detect errors and/or irregularities, and in case of errors or irregularities, to

correct them. Therefore, historical error rates are expected to remain at the same levels.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

As for its activities in direct, indirect and shared management, the Commission shall take appropriate measures ensuring that the financial interests of the European Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective, proportional and deterrent penalties.

The Commission or its representatives and the Court of Auditors shall have the power of audit, on the basis of documents and on-the-spot, over all grant beneficiaries, contractors and subcontractors who have received Union funds. OLAF shall be authorised to carry out on-the-spot checks and inspections on economic operators concerned directly or indirectly by such funding.

The Commission also implements a series of measures such as:

- decisions, agreements and contracts resulting from the implementation of the programme will expressly entitle the Commission, including OLAF, and the Court of Auditors to conduct audits, on-the-spot checks and inspections;

- during the evaluation phase of a call for proposals/tender, the applicants and tenderers are checked against the published exclusion criteria based on declarations and the Early Detection and Exclusion System (EDES);

- the rules governing the eligibility of costs will be simplified in accordance with the provisions of the Financial Regulation;

- regular training on issues related to fraud and irregularities is given to all staff involved in contract management as well as to auditors and controllers who verify the beneficiaries' declarations on the spot.

DG EMPL pursues actions in the framework of the Commission's Anti-Fraud Strategy (CAFS).

In the case of direct management, the Fraud-Risk-Assessment (FRA) was updated in 2016. The procedure to award grants comprises several fraud-detection elements, such as the widespread use of the 4-eyes principle, verifying the correctness and transparency of award procedures, having detailed procedures to avoid conflicts of interests, verifying whether applicants have been 'blacklisted' pursuant to Regulation 1605/2002, use of IT-tools like EDES and ARACHNE and looking out for other 'red flags' (fraud indicators).

In the case of the shared management of Structural Funds there is the more specific Joint Anti-Fraud Strategy (JAFS) 2015-2020 of DG Regional and Urban Policy, DG Employment, Social Affairs and Inclusion and DG Maritime Affairs and Fisheries. For the Structural Funds there is a specific regulatory anti-fraud requirement for 2014-2020 in the Common Provisions Regulation (Article 125(4)c CPR). DG EMPL through it control and audit obligations verifies that the Member States have set up, and effectively run management and control systems which make sure funds are efficiently and correctly used so as to ensure legality and regularity of expenditure.

Member States are obliged to notify problems through the Irregularity Management System (IMS). DG EMPL tracks the national actions to combat fraud and if necessary sanctions a lack of action by Financial Correction Decisions regarding the ESF support granted to the programme concerned, for example in the framework of the follow-up to OLAF reports and recommendations. In addition, DG EMPL provides guidance to managing authorities, including a fraud risk assessment tool. DG EMPL actively disseminates the ARACHNE risk scoring tool to Member States.

Following a study by an external contractor that is to be finalised in mid-2018, the JAFS will be reviewed and DG EMPL's contribution to the CAFS updated.

Finally, horizontal measures like internal training regarding fraud-awareness (red flags) and fraud-prevention round-off the measures taken by DG EMPL.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading of the multiannual financial framework and new expenditure budget line(s) proposed

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Investing in People, Social Cohesion and Values	Diff./Non-diff.	from EFTA countries [35]	from candidate countries[36]	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
2	07 01 xx ESF+ Shared Management – Support expenditure	Non-diff.	Yes	Yes	No	No
2	07 01 01 yy – ESF+ Employment and Social Innovation and Health– Support expenditure	Non-diff.	Yes	Yes	Yes	No
2	07 02 xx – ESF+ Shared Management	Diff.	No	No	No	No
2	07 02 xx xx – ESF+ Shared Management Operational Technical Assistance	Diff.	No	No	No	No
2	07 02 xz – ESF+ Employment and Social innovation	Diff.	Yes	Yes	Yes	No
2	07 02 yy – ESF+ - Health	Diff.	Yes	Yes	Yes	No

[35] EFTA: European Free Trade Association.

[36] Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework	2	Investing in People, Social Cohesion and Values

TOTAL			2021	2022	2023	2024	2025	2026	2027	*Post 2027*	TOTAL
07 02 xx – ESF+ Shared Management	Commitments	(1)									
	Payments	(2)									
07 02 xy – ESF+ Shared Management Operational Technical Assistance	Commitments	(1)									
	Payments	(2)									
07 01 xx ESF+ Shared Management – Support expenditure	Commitments = Payments	(3)									
07 02 xz – ESF+ Employment and Social innovation	Commitments	(1)	99,444	101,493	103,583	105,714	107,889	110,106	111,771		**740,000**
	Payments	(2)	27,593	58,577	76,326	81,034	83,439	85,282	86,869	240,880	**740,000**
07 02 yy – ESF+ Health	Commitments	(1)	48,547	49,659	51,793	52,950	54,130	55,334	58,237		**370,650**
	Payments	(2)	5,170	23,504	33,802	41,064	44,539	47,846	50,121	124,604	**370,650**
07 01 01 yy ESF+ Employment and Social Innovation, Health – Support expenditure [37]	Commitments = Payments	(3)	9,050	9,050	9,050	9,050	9,050	9,050	9,050		**63,350**

[37] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

TOTAL appropriations for the envelop of the programme	Commitments	=1+3	157,041	160,202	164,426	167,714	171,069	174,490	179,058		**1.174,000**
	Payments	=2+3	41,813	91,131	119,178	131,148	137,028	142,178	146,040	365,484	**1.174,000**

The appropriations for the shared management part of the ESF+ are detailed in the LFS for the Common Provision Regulation (CPR)

Regarding Health strand, the programme might be (partially) delegated to an executive agency, subject to the outcome of the cost-benefit analysis and related decisions to be taken, and that the related administrative appropriations for programme implementation in the Commission and the executive agency will be adapted accordingly.

Heading of multiannual financial framework	7	'Administrative expenditure'

This section should be filled in using the 'budget data of an administrative nature' to be firstly introduced in the Annex to the Legislative Financial Statement (Annex V to the internal rules), which is uploaded to DECIDE for interservice consultation purposes.

EUR million (to three decimal places)

DG EMPL		**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	***Post 2027***	**TOTAL**
Human resources		91,207	91,207	91,207	91,207	91,207	91,207	91,207		**638,448**
Other administrative expenditure		5,073	5,073	5,073	5,073	5,073	5,073	5,073		**35,514**
TOTAL appropriations under HEADING 7 – DG EMPL	(Total commitments = Total payments)	**96,280**	**96,280**	**96,280**	**96,280**	**96,280**	**96,280**	**96,280**		**673,962**

EUR million (to three decimal places)

DG SANTE	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	***Post 2027***	**TOTAL**
Human resources	1,435	1,435	1,435	1,435	1,435	1,435	1,435		**10,045**

Other administrative expenditure		0,108	0,108	0,108	0,108	0,108	0,108	0,108		**0,756**
TOTAL appropriations under HEADING 7 – DG SANTE	(Total commitments = Total payments)	**1,543**	**1,543**	**1,543**	**1,543**	**1,543**	**1,543**	**1,543**		**10,801**

EUR million (to three decimal places)

TOTAL		**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	***Post 2027***	**TOTAL**
Human resources		92,642	92,642	92,642	92,642	92,642	92,642	92,642		**648,493**
Other administrative expenditure		5,181	5,181	5,181	5,181	5,181	5,181	5,181		**36,270**
TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	**97,823**	**97,823**	**97,823**	**97,823**	**97,823**	**97,823**	**97,823**		**684,763**

EUR million (to three decimal places)

		2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	***Post 2027***	**TOTAL**
TOTAL appropriations across HEADINGS of the multiannual financial framework	Commitments	254,864	258,025	262,249	265,537	268,892	272,313	276,881		**1.858,763**
	Payments	139,636	188,954	217,001	228,971	234,851	240,001	243,863	365,484	**1.858,763**

3.2.2. Summary of estimated impact on appropriations of an administrative nature

– ☐ The proposal/initiative does not require the use of appropriations of an administrative nature

– ☑The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL

DG EMPL

For human resources, the figures presented below are based on the allocation as granted to DG EMPL in 2018 (SEC(2017)528), from which are deducted the staff allocated to the European Globalisation Fund, subject to a separate proposal COM(2018)XXX.

For other administrative expenditure, the whole global envelope is shown below, including EGF related expenditure.

HEADING 7 of the multiannual financial framework								
Human resources	91,207	91,207	91,207	91,207	91,207	91,207	91,207	**638,448**
Other administrative expenditure	5,073	5,073	5,073	5,073	5,073	5,073	5,073	**35,514**
Subtotal HEADING 7 of the multiannual financial framework	96,280	96,280	96,280	96,280	96,280	96,280	96,280	**673,962**

DG SANTE

HEADING 7 of the multiannual financial framework								
Human resources	1,435	1,435	1,435	1,435	1,435	1,435	1,435	**10,045**
Other administrative expenditure	0,108	0,108	0,108	0,108	0,108	0,108	0,108	**0,756**
Subtotal HEADING 7 of the multiannual financial framework	1,543	1,543	1,543	1,543	1,543	1,543	1,543	**10,801**

TOTAL

HEADING 7 of the multiannual financial framework								
Human resources	92,642	92,642	92,642	92,642	92,642	92,642	92,642	**648,493**
Other administrative expenditure	5,181	5,181	5,181	5,181	5,181	5,181	5,181	**36,270**
Subtotal HEADING 7 of the multiannual financial framework	97,823	97,823	97,823	97,823	97,823	97,823	97,823	**684,763**

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL

TOTAL

Outside HEADING 7[38] of the multiannual financial framework								
Human resources								
Other expenditure of an administrative nature	9,050	9,050	9,050	9,050	9,050	9,050	9,050	**63,350**
Subtotal outside HEADING 7 of the multiannual financial framework	9,050	9,050	9,050	9,050	9,050	9,050	9,050	**63,350**

TOTAL	**106,873**	**106,873**	**106,873**	**106,873**	**106,873**	**106,873**	**106,873**	**748,113**

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

The appropriations for the shared management part of the ESF+ are detailed in the LFS for the Common Provision Regulation (CPR)

[38] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.2.1. Estimated requirements of human resources

– ☐ The proposal/initiative does not require the use of human resources.

– ☑ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

Years		2021	2022	2023	2024	2025	2026	2027
• Establishment plan posts (officials and temporary staff)								
DG EMPL								
Headquarters and Commission's Representation Offices		599	599	599	599	599	599	599
Delegations		0	0	0	0	0	0	0
Research		0	0	0	0	0	0	0
DG SANTE								
Headquarters and Commission's Representation Offices		9	9	9	9	9	9	9
Delegations		0	0	0	0	0	0	0
Research		0	0	0	0	0	0	0
TOTAL Establishment plan posts (Officials and temporary staff)								
Headquarters and Commission's Representation Offices		608	608	608	608	608	608	608
Delegations		0	0	0	0	0	0	0
Research		0	0	0	0	0	0	0
• External staff (in Full Time Equivalent unit: FTE) – AC, AL, END, INT and JED [39] Heading 7								
DG EMPL								
Financed from HEADING 7 of the multiannual financial framework	- at Headquarters	71	71	71	71	71	71	71
	- in Delegations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Financed from the envelope of the programme [40]	- at Headquarters							
	- in Delegations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
DG SANTE								
Financed from HEADING 7 of the multiannual financial framework	- at Headquarters	2	2	2	2	2	2	2
	- in Delegations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Financed from the envelope of the programme [41]	- at Headquarters	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	- in Delegations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Research		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

[39] AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

[40] Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

[41] Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

Other (specify)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL External Staff (in FTE)	**73**	**73**	**73**	**73**	**73**	**73**	**73**
GRAND TOTAL	**681**	**681**	**681**	**681**	**681**	**681**	**681**

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	Programme management, finance and audit
External staff	Programme management, finance and audit

3.2.3. Third-party contributions

The proposal/initiative:

– ☑ does not provide for co-financing by third parties

– ☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
EEA/EFTA	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
Candidate countries	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
Third countries, including neighbouring countries	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
TOTAL appropriations co-financed	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.

3.3. Estimated impact on revenue

– ☑ The proposal/initiative has no financial impact on revenue.

– ☐ The proposal/initiative has the following financial impact:

– ☐ on own resources

– ☐ on other revenue

please indicate, if the revenue is assigned to expenditure lines ☐

EUR million (to three decimal places)

Budget revenue line:	Impact of the proposal/initiative[42]						
	2021	2022	2023	2024	2025	2026	2027
Article …….							

For assigned revenue, specify the budget expenditure line(s) affected.

[…]

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

[…]

[42] As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.