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Accompanying the document

Proposal for a Regulation of the European Parliament and the Council on the European Social Fund Plus (ESF+)

Proposal for a Regulation of the European Parliament and the Council on the European Globalisation Adjustment Fund (EGF)

{COM(2018) 380 final} - {COM(2018) 382 final} - {SEC(2018) 273 final}

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Glossary

Term or acronym	*Meaning or definition*
ESF	European Social Fund
YEI	Youth Employment Initiative
FEAD	Fund for European Aid to the most Deprived
EGF	European Globalisation Adjustment Fund
EaSI	Employment and Social Innovation programme
EIF	European Investment Fund
EIB	European Investment Bank
EURES	European Employment Services
ESI Funds	European structural and investment funds
CSR	country specific recommendation
OP	operational programme
SCO	simplified cost options
FI	financial instruments
ALMP	active labour market policies
MA	managing authorities
Rhomolo	regional holistic model (JRC dynamic spatial computable general equilibrium model for EU regions and sectors)
JAP	joint action plans
CLLD	community-led local development
QFR	EU quality framework for anticipation of change and restructuring
OPC	open public consultation

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

On 2 May 2018, the European Commission adopted its proposals for a new Multiannual Financial Framework (MFF) for 2021-2027.[1] The Commission proposed that over this period, the European Social Fund Plus (ESF+) will have a budget of EUR 101.2 billion (in current prices), while the European Globalisation Adjustment Fund will remain outside of the MFF with a ceiling of EUR 1.578 billion (in current prices). This impact assessment report reflects the decisions of the MFF proposals and focuses on the changes and policy choices which are specific to the two funds.

1.1 Scope and context

Europe's relevance and success in the next decades 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, in their skills, in their creativity, their potential to create businesses and to innovate, and in their health. It means ensuring that everyone in the EU has opportunities to prosper, play an active role in society and shape the future of a Europe of democracy, solidarity and inclusion. The EU's capacity to respond to current and future challenges, including those stemming from technological development, will depend on the quality and the scale of intervention strategies that invest in people.

In March 2017, leaders from 27 EU Member States and EU institutions signed up to the ***Rome Agenda***[2] pledging to work towards a social Europe:

> 'a Union which, based on sustainable growth, promotes economic and social progress as well as cohesion and convergence […] a Union which fights unemployment, discrimination, social exclusion and poverty; a Union where young people receive the best education and training and can study and find jobs across the continent.'[3]

As underlined in the white paper on *The future of Europe*[4] and its five accompanying 'reflection papers', the EU's ability to provide solutions to the challenges faced by European economies and societies has been called into question.

At the Gothenburg Social Summit (November 2017), EU Member States and institutions adopted the **European Pillar of Social Rights**[5] as a key policy response to this concern. The Pillar strives to reaffirm and further strengthen relevant rights and principles in

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[1] Available at: https://ec.europa.eu/commission/priorities/democratic-change/future-europe/eu-budget-future_en

[2] The Rome Agenda is a list of actions agreed upon by the EU-27 heads of state and the EU institutions, on the occasion of the 60th anniversary of the Rome Treaties, in March 2017.

[3] See also Commission Communication on "A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020[3]", February 2018: "*The EU budget will need to deliver on the promises made by Leaders at the Gothenburg Social Summit. This means further developing the social dimension of the Union, including through the full implementation of the European Pillar of Social Rights, and supporting young people and the mobility of European citizens. Adequate resources will be required to improve employment opportunities and address the skills challenges, including those linked to digitisation.*"

[4] European Commission, white paper on *The future of Europe: reflections and scenarios for the EU-27 by 2025* (COM(2017)2025)

[5] https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en

support of equal opportunities and access to the labour market, fair working conditions, social protection and greater social inclusion. It underlines people's right to quality and inclusive education, training and life-long learning so they can maintain and acquire skills that enable them to participate fully in society and to successfully manage transitions in the labour market, also in line with the United Nations **sustainable development goals.**[6]

Policy efforts of this magnitude require meaningful investment at EU level. The Commission's April 2017 Communication on the Pillar underlined that it 'will [...] be a reference for the design of the post-2020 EU financial programming period'.[7]

In addition, the **Skills Agenda for Europe**[8] highlights the importance of investing in upskilling and re-skilling as, in a fast-changing global economy, skills are a key driver for competitiveness and innovation. The December 2017 European Council conclusions further highlighted the importance of the social and educational dimension of EU policies 'in bringing Europeans together and building a common future'.

In its June 2017 Resolution[9] on *building blocks for the EU's cohesion policy post-2020*, the European Parliament notes that cohesion policy is very effective and calls on the Commission to present a comprehensive legislative proposal for a strong and effective cohesion policy post-2020 with an adequate budget for combating unemployment, caring for the vulnerable and marginalised, addressing growing inequalities and building solidarity through co-investments in education and training. In its Opinion *For a strong and effective European cohesion policy beyond 2020*,[10] the European Committee of the Regions points out that 'the policy for strengthening economic, social and territorial cohesion is one of the most important and comprehensive EU policies, making a significant contribution in terms of solidarity to strengthening the EU as a whole, and considerably strengthens the European added value that is tangible for each EU citizen'. It calls for cohesion policy to be made more flexible in the next funding period.

In its Opinion on *The effectiveness of ESF and FEAD funding as part of civil society efforts to tackle poverty and social exclusion under the Europe 2020 strategy*,[11] the European Economic and Social Committee calls for 'the creation in the next financial perspective of an integrated European fund to combat poverty and social exclusion, based on experience to date of the implementation of the FEAD and the ESF'.

This impact assessment, which is part of the proposals for the next multi-annual financial framework (MFF) builds on the above policy framework. It covers the following funds[12]:

- the European Social Fund (ESF – one of the European structural and investment funds (ESI funds)) and Youth Employment Initiative (YEI);
- the Fund for European Aid to the Most Deprived (FEAD);
- the European Globalisation Adjustment Fund (EGF);

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[6] http://www.un.org/sustainabledevelopment/sustainable-development-goals/

[7] Commission Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on *Establishing a European Pillar of Social Rights* (COM/2017/0250 final).

[8] The Skills Agenda for Europe, adopted by the Commission on 10 June 2016, launched 10 actions (including the Blueprint for Sectoral Cooperation on Skills and the Digital Skills and Jobs Coalition) to make the right training, skills and support available to people in the EU; http://ec.europa.eu/social/main.jsp?catId=1223

[9] http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-2017-0254&language=EN

[10] Opinion of the Committee of the Regions (11-12 May 2017).

[11] Opinion SOC/537 (OJ C 173, 31.5.2017, p. 15–19).

[12] For more detail, see section 2.1.1.

- the EU Health Programme[13], and
- the Employment and Social Innovation (EaSI) programme

These funds are key in delivering on the European Pillar of Social Rights and the social and employment priorities endorsed by the European economic governance process. This impact assessment covers them all, as they complement each other in contributing to the same policy objective, and presents them jointly or according to their specific properties, as appropriate.

This impact assessment concerns the following initiative:

- **merging the ESF, YEI, FEAD, EaSI and EU Health programme into one fund (ESF+) with a single Regulation, but two separate management strands:**
    - **shared management (covering the former ESF, YEI and FEAD); and**
    - **(in)/direct management (covering the former EaSI and EU Health programme and part of the ESF); and**
- **keeping the EGF as a separate fund.**

The reasoning behind this initiative is set out in the following sections.

The impact assessment also examines synergies and complementarities with the following other funds under preparation in the context of the next MFF:

- other ESI Funds, including: the European Regional and Development Fund (ERDF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF);
- Erasmus;
- the Asylum, Migration and Integration Fund (AMIF);
- the Framework Programme for Research and Innovation (Horizon Europe);
- the European Fund for Structural Investments (EFSI), the Reform Delivery Tool (RDT) and the Structural Reform Support Programme (SRSP).

The impact assessment fulfils the requirements for *ex-ante* evaluation of the Financial Regulation and Better Regulation package.

1.2 Lessons learned from previous programmes and related mid-term evaluations

1.2.1 Key findings from evaluations

Evaluations of current[14] and previous programming periods[15] and related studies[16] all confirm the effectiveness, efficiency, relevance, EU added value and coherence of the funds covered by this impact assessment[17]. Member States have invested in policy areas,

[13] See Annex 5 for more information on the EU Health programme.

[14] Mid-term evaluations of FEAD, EGF and EaSI for the 2014-2020 programming period.

[15] In particular, the Commission's staff working document on the *Ex-post evaluation of the 2007-2013 ESF programmes* (SWD(2016) 452 final, 12.12.2016), and its *Ex-post evaluation of the EGF 2007-2013*, August 2015.

[16] See Annex 1.

[17] Detailed lessons learned by fund are set out in Annex 3.

target groups and reforms in a way that would not have been possible with national funding only. In particular:

- the 2000-2006 [18] and 2007-2013 [19] 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.[20]
- 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;[21]
- preliminary results of the FEAD mid-term evaluation[22], including feedback from stakeholders,[23] 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 results of the mid-term evaluation of the EGF[24] shows that it offers dismissed workers a unique combination of tailored measures that lead to more sustainable results, increase the self-esteem of beneficiaries, who finally have a more proactive approach to job seeking, and improve their employability; and
- the mid-term evaluation of the EaSI[25] 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[26] also provide evidence of a number of challenges, mostly regarding the need for greater coherence and synergy, flexibility and policy

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[18] http://ec.europa.eu/social/BlobServlet?docId=16861&langId=en.
[19] *Ex-post evaluation of the 2007-2013 ESF programmes* (SWD(2016) 452 final, 12.12.2016)
[20] *Ibid*
[21] *The Youth Guarantee and Youth Employment Initiative three years on*, European Commission (2016), (COM/2016/0646 final).
[22] Based on the contractor's FEAD draft final report of the mid-term evaluation, status March 2018. The evaluation is expected to be finalised in the fourth quarter of 2018.
[23] Report on the open public consultation for the FEAD mid-term evaluation (January 2018); https://publications.europa.eu/s/fo2y
[24] Report from the Commission on the mid-term evaluation of the European Globalisation Adjustment Fund (EGF) (COM(2018)297 final, 16.5.2018), and accompanying Commission staff working document on the mid-term evaluation of the European Globalisation Adjustment Fund (EGF) (SWD(2018)192 final, 16.5.2018)
[25] The mid-term evaluation of the European Programme for Employment and Social Innovation (report to be published in May 2018 on http://ec.europa.eu/social/main.jsp?catId=1081).
[26] In particular, see the following Commission documents: *Study to support the work on the impact assessment of human capital investments* (ongoing); *Study on the assessment of the adequacy of the ESF's design to support human capital policies* (2017) [not yet published]; *Study on the analysis of the first results of the implementation of the YEI and related ESF Youth Employment Actions (2016)*, http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7931; *Support of ESI Funds to the implementation of the Country Specific Recommendations and to Structural Reforms in Member States*(ongoing), *Assessment of Administrative Costs and Burdens in the ESI Funds* (2016), *Synthesis report ex-post evaluation the ESF 2007-2013*,

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 section 2.1.2 and described in more detail in Annexes 2 and 3.

1.2.2 Key messages from stakeholders

The messages from stakeholders [27] (consulted mainly through the open public consultation (OPC), conferences, focus groups, interviews and questionnaires in the framework of preparations for arrangements post-2020) broadly confirm the findings from the evaluations.[28] Stakeholder consultation results demonstrate the perceived high added-value of the concerned EU Funds. Around 76% of the OPC respondents supported the view that the current programmes/funds add value to a large or fairly large extent compared to what Member States could achieve at national, regional and/or local levels. Continued European action through investment in a 'social Europe' is key to the effective implementation of EU social and employment policy (the key policy challenges identified in the OPC), in particular the European Pillar of Social Rights and the Skills Agenda.

In terms of priorities for investment, it is essential to anticipate skills needs in a fast-evolving world of work, including digital skills. Moreover, measures should continue to support young people and target the most disadvantaged in the labour market and society at large, in particular migrants, people with disabilities, low-skilled and long-term unemployed people: to this end it is key to continue and reinforce investment in social inclusion. The links between policy and funding can and should be strengthened (through *ex-ante* conditionalities, the link with European Semester process, allocation method including social indicators in addition to GDP); and results-based approaches are welcomed, although they should be developed mindfully of potential risks. It was also stressed that respect for fundamental rights should be ensured in the funds' implementation.

Concerning the Funds' management, future proposals and rules should represent 'an evolution and not a revolution' [29] and should simplify management at all levels (in particular, through simplified cost options, simplifying audit and control and monitoring requirements). In addition to simplification efforts, technical assistance and capacity-building is important for the funds' effective implementation. In relation to this, the partnership principle needs to be strengthened, ensuring a more meaningful involvement

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http://ec.europa.eu/social/BlobServlet?docId=16810&langId=en; Report from the Commission to the European Parliament and the Council on the Activities of the European Globalisation Adjustment Fund in 2015 And 2016, COM(2017) 636 final, http://ec.europa.eu/social/BlobServlet?docId=18493&langId=en, The mid-term evaluation of the European Programme for Employment and Social Innovation (to be published on http://ec.europa.eu/social/main.jsp?catId=1081).

[27] For more detail, see Annex 2 (Synopsis report).

[28] The ESF Committee's 24th October 2017 opinion on the future of the highlights the essential European added value of the ESF and its crucial role as a fund targeting people and supporting Member States in addressing main challenges in the area of human capital development. In particular, the Committee underlined the need to implement the recommendations of the high level group on simplification and for the Commission to propose an adequate financial envelope in view of pressing challenges such as migration, inequality, poverty and the need for new forms of education and upskilling.

[29] See, for example, the position paper from Germany's federal ESF MA: *The ESF as of 2021 - for a new Lean Fund Management.*

of civil society and according to some, the Commission. Furthermore, the synergies and complementarities between funds should be enhanced, while preserving and increasing the funds' flexibility.

2. THE OBJECTIVES

2.1 Challenges for the programmes of the next MFF

2.1.1. Key features of ongoing programmes

In setting out the challenges for the programming period 2021-2027 a baseline scenario will have to reflect a decrease of the future MFF allocations following the UK's withdrawal with an unchanged policy. For the funds under consideration the consequences of Brexit would mean that we would still cater for all Member States and all objectives, but Member States might have to set priorities to the detriment of some groups or objectives. Overall the results and impact of the funds would therefore be reduced in terms of financial volume but also number of projects and persons supported. However the lower level of budget and the risks it entails can be mitigated both by higher national co-financing rates and by limiting the scope of ESF support in the field of general public administration reform (see section 2.2).

2.1.1.1 ESF and YEI

The ESF is the EU's main instrument for investing in people since the Treaty of Rome. It finances actions contributing to employment, social inclusion, education, training and administrative capacity reforms. Together with the YEI, it supports NEETs in regions with high youth unemployment.

The ESF and YEI are implemented under shared management. Funding envelopes are established per Member State and category of region for the whole programming period based on criteria mainly reflecting regional GDP. Different co-financing rates apply depending on the category of region.

The YEI is implemented according to the ESF rules and supported both through ESF allocations and a separate budget line. It is subject to some specific programming, financial management, monitoring and reporting requirements.

The total ESF budget for 2014-2020 is EUR 121 billion, of which EUR 84 billion is EU funded and the rest is co-financed from national budgets. The additional YEI budget is around EUR 10 billion, of which EUR 8.8 billion is EU funded.[30] The ESF and the YEI are expected to benefit 56 million participants[31] in the current period.

Impacts

[30] The YEI specific allocation needs to be matched by at least the same amount of ESF money which requires national co-financing. On the figures see open data platform: https://cohesiondata.ec.europa.eu/

[31] Participations may include individuals taking part in ESF operations multiple times as well as indirect participants, at the same time measured results often exclude "soft" results such as change in attitude.

The 2007-2013 ESF *ex-post* evaluation allowed calculating minimum success rates of ESF interventions (share of participations with recorded positive results such as qualification or employment[i]) by theme: they reached 46% for education and training, 38% for access to employment, and 52% for social inclusion. These ratios include employment and qualification gained and soft outcomes (such as increased chances in the labour market) and show the significant impact of the ESF on participants' long term prospects and careers.

ESF and YEI investments are the main EU level support to structural reforms in Member States especially in areas related to reform of public employment services, activation measures, the development of individualised integrated pathways for employment, the set-up and implementation of dual vocational education and training, apprenticeship measures or investment in (child)care aimed at increasing women participation in the labour market.

ESF and YEI support to structural reforms

In **Spain** the implementation of the 'active inclusion strategy and individualised integration pathways' is supported in line with the CSR. The aim is to mainstream the implementation of individualised integration pathways. Several structural reforms have been adopted in this line, bearing in mind the distribution of competences between regions and central government. In the context of the economic and financial crisis, ESF investment in this area was instrumental to continue the undertaken reform effort with a EUR 1.2 billion effort across 2014-2020, targeting a wide variety of vulnerable groups. Similarly, the ESF is currently investing resources in the support of the 'apprenticeship contract' both in training programmes and alleviating companies' social security contributions. The apprenticeship contract is also one of the offers under the Spanish youth guarantee, especially aimed to young people without previous qualification or with very low overall qualification.

In the **Czech Republic**, in line with the 2014 CSR recommending to concentrate adequate resources to measures that considerably increase the availability of affordable and quality childcare facilities and services (with a focus on children up to the age of three), the ESF (together with the ERDF) provided a considerable boost to the allocation for childcare facilities (approximately EUR 220 million across all Czech ESF and ERDF programmes, i.e. almost tripling). The demand for services on the ground has since been confirmed by a significant interest of applicants. Legislative changes were introduced to enlarge the requirements for opening a pre-school education entity and enable employers to establish kindergartens. So far, more than 9000 kindergarten places have been created.

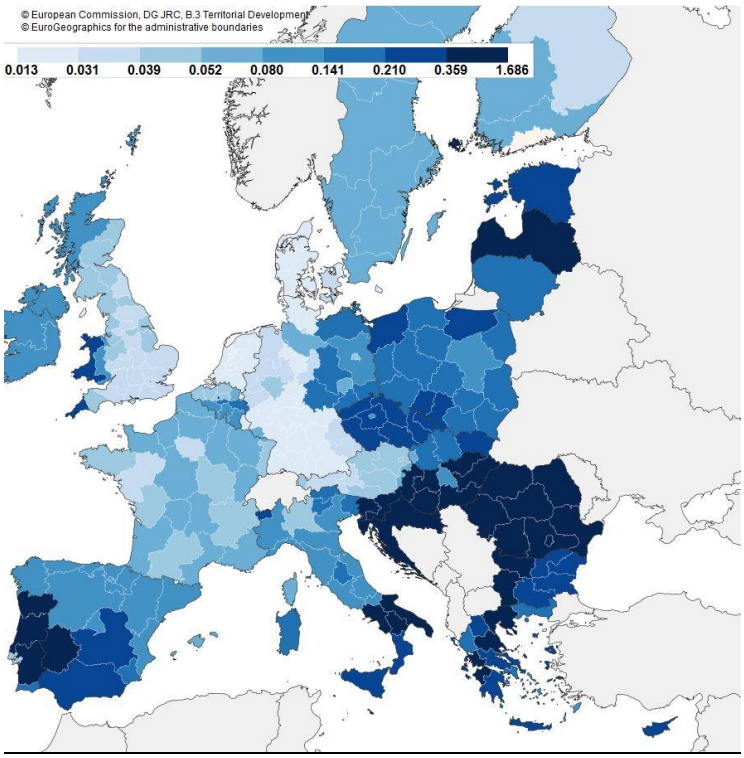
In **Italy**, the national programme 'inclusione sociale' (with a total budget of EUR 1.32 billion) is entirely dedicated to supporting the reform of social policies in the country, with the aim of an effective fight against poverty. In fact, the legislative framework on social policies, defined in 2000, was never fully implemented because of lacks of funds and governance issues. The allocation of ESF funding to the fight against poverty through this programme was crucial in revamping the governance of social policies and it acted as a catalyser for the introduction of the so-far absent minimum income scheme (reddito di inclusione). This was fully in line with the European Semester recommendations to Italy.

The macro-economic effects of current investments under the 2014-2020 ESF, as estimated using the Joint Research Centre's Rhomolo model, suggests a permanent positive effect on aggregate EU 28 GDP. It is estimated that this will reach 0.1 % (roughly EUR 13 billion) in 2024 and 0.15 % (roughly EUR 25 billion) by 2030.

The GDP effect of ESF investments is much greater in regions that are lagging behind economically (see map below). By 2023, the model estimate annual GDP increases of up to about 0.4 % in these regions, 0.14 % in transition regions and 0.07 % in more developed regions. Finally, among the main themes covered by the ESF, the thematic

objective on promoting sustainable and quality employment contributes most to total GDP increases, followed by the objective on investing in education and training.[32]

Figure 1: GDP effect of ESF investments at regional level, Rhomolo simulations, JRC



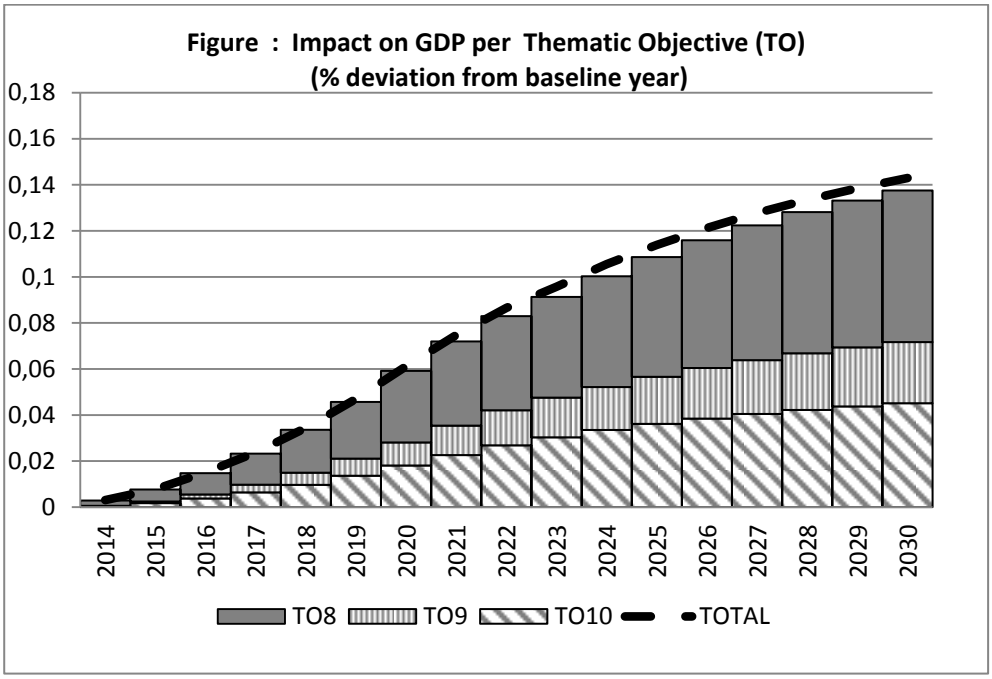
Rhomolo simulations[33] indicate that the current programming period will see a gradual annual employment increase of up to 0.05 % (in 2020) relative to the baseline year. The model is not accounting for the non-tangible effects of the support, such as reducing the social exclusion of disadvantaged groups. Finally, the model's estimations indicate that no long-run trade-off exists between social-oriented ESF investments and general economic benefits. Indeed, they confirm the important role that human capital investments have as a key growth factor for the European economy. The direct and indirect effects of ESF investment generate positive economic outcome via a combination of long-lasting effects on labour productivity / skill enhancement and short-term positive demand side effects (e.g. by promoting entrepreneurship and boosting business creation).

Figure 2: Impact on GDP of ESF investments per thematic objective, Rhomolo simulations, JRC[34]

[32] Source: JRC, simulations based on the Rhomolo model (February 2018). Rhomolo is the spatial computable general equilibrium model of the European Commission focusing on EU regions. It has been developed and maintained by the regional economic modelling team at the Directorate-General Joint Research Centre (DG JRC) in cooperation with Directorate-General for Regional and Urban Policy (DG REGIO). It is used for policy impact assessment and provides sector-, region- and time-specific simulations to support to EU policy making on investments and reforms covering a wide array of policies.

[33] February 2018

[34] Thematic objectives (TO) correspond to the following policy areas: TO 8 - employment; TO 9- social inclusion, TO 10-education and training



The Commission's *Seventh report on economic, social and territorial cohesion*[35] concludes that cohesion interventions generate spill-over effects in Member States and regions other than those in which it is implemented. Programmes in non-cohesion countries tend to increase exports to cohesion countries.[36]

The resource allocation for the next programming period should reflect the higher political expectations for the future of social Europe and the future extension of the ESF's scope to underpin the implementation of the European Pillar of Social Rights (including in the fields of migrant integration and basic digital skills).

2.1.1.2 FEAD

The FEAD aims to alleviate the worst forms of poverty in the EU, such as food deprivation, homelessness and child poverty. It is implemented under shared management, with simplified rules and reduced administrative requirements as compared with the ESF. The FEAD allocation for 2014-2020 amounts to almost EUR 3.8 billion.

The programme statement[37] indicates that FEAD aid is expected to reach 15 million people a year. With 15.92 million persons benefiting in 2016, this target has already been reached.[38]

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[35] European Commission (2017): http://ec.europa.eu/regional_policy/en/information/cohesion-report/

[36] Other evaluations show that ESF intervention has a positive impact on growth. For example, an evaluation of Spain's 2007-2013 OP for the fight against discrimination[36] (focusing on the social inclusion priority) sheds light on the economic benefits of the ESF. It concludes that OP activities contributed to the dynamism of the Spanish economy and that, for every euro invested, production increased by €1.38, while €0.91 was recovered in terms of fiscal returns. The activities led to the recovery of €39 million annually in taxes and social security contributions, thus producing €9 million in savings by substituting social support with employment posts. A total of 19.673 jobs were created, of which 5.167 were direct employment posts.

[37] *Draft general budget of the European Union for the financial year 2018*, May 2017 (COM(2017) 400)

[38] FEAD mid-term evaluation

FEAD is a relatively small fund and is delivered through two different types of operational programmes (type I on food/ material assistance and type II on social inclusion measures). It is difficult to draw conclusive comparisons as regards the fund's impact due to the different contexts and types of support. However, there are notable direct benefits of FEAD in view of its size (1% of the EU budget for cohesion policy addressed 15 million people in 2016). There are also significant indirect benefits that cannot be expressed in monetary terms (improved cohesion, solidarity, prevention of humanitarian crises, leverage effects of volunteering and commitment by and capacity building of civil society organisations). Respondents to the public consultation conducted in the framework of the mid-term evaluation overwhelmingly agree that FEAD makes a difference for the lives of the most deprived (93%), reaching the intended target groups, especially children at risk of poverty (79%). The EU added value was assessed and confirmed notably through the open public consultation and the focus groups and case studies, for instance the Fund's leverage effect and increase in partners' capacity (please see Annex 2 and 3).

2.1.1.3 EGF

The EGF expresses the European Union solidarity by supporting people made redundant in the course of very large scale restructuring events (more than 500 displaced workers) with the aim of helping those workers reintegrate into the job market as quickly as possible. The Fund currently only offers assistance in the aftermath of restructuring events which have been caused by major structural changes in world trade patterns due to globalisation or the financial and economic crisis. The EGF has been designed to tackle the employment and social challenges of structural change, helping displaced workers which are the beneficiaries of EGF assistance.

Given its purpose, which is to provide quick support in situations of urgency and unexpected circumstances, the EGF is one of the flexible and special instruments outside the budgetary ceilings of the MFF. The EGF thus does not have an annual budget that it is expected to spend, but additional funding up to a pre-defined maximum annual ceiling that may be mobilised if needed. The maximum annual amount during 2014-2020 is set at EUR 150 million (in 2011 prices). EGF assistance is provided through shared management.

Since the EGF's start, the number of cases has been highly cyclical, responding with an evident delay to economic developments. In 2007-2013, 112 EGF cases targeted 105.000 beneficiaries with a total amount of EUR 479 million. Since 2014 until today 43 cases have been approved targeting 42.000 beneficiaries with a total amount of EUR 132 million.

In addition to the current average re-employment rate of 65% there is empirical evidence[39] of positive indirect effects of the EGF, as each additional job created influences positively other sectors. The dimension of these indirect impacts varies across case studies, ranging from a minimum of 20% up to 50% of the total jobs generated.

If the EGF invested comparable amounts in the post-2020 period, it would be expected to deliver broadly similar results and have similar direct and indirect impacts. It should be

[39] On-going study with JRC.

noted, however, that the incidence of very large-scale restructuring cases (involving more than 500 redundancies) has been considerably less over the past decade.[40]

Nowadays' globalised world is characterised by an ever increasing interconnectedness and interdependence of world markets. Paradoxically, due to these most recent trends in globalisation[41], an unchanged EGF would probably see fewer applications and uptake.

2.1.1.4 EaSI

The EaSI is a funding instrument designed to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty, and improving working conditions.[42] Its activities are mainly implemented under direct management through calls for proposals and calls for tenders. The EaSI actions related to microfinance and social entrepreneurship (including inter alia the EaSI Guarantee Instrument and the EaSI Capacity Building Investments Window) are implemented by the Commission indirectly by entrusting budget implementation tasks to European Investment Fund (EIF).[43]

The EaSI financial envelope 2014-2020 amounts to EUR 919 million. The EaSI Regulation specifies an indicative budget allocation per axis and indicative breakdowns of allocations between the sections within each axis.[44]

If the programme's budget is not increased in the future, the programme baseline would provide the same results as today. For example, in seven years, EaSI would award around 400 projects under the various thematic calls for proposals of the three axes, support capacity building for 20 EU-level NGO networks per year and fund analytical outputs allowing cross country comparisons. The EURES job mobility portal would continue to attract 0.7 million visitors a month and to post around 1 million vacancies per year, while around 3.5 % of people contacting EURES would find a job as a direct result. However, it should be noted that the current budget does not reflect the ambition and wide thematic scope of EaSI.

2.1.2. Main challenges and problems

2.1.2.1 Employment, education, skills and social challenges

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[40] Among those cases registered by Eurofound's European Restructuring Monitor, the proportion of such cases has fallen from 20-25 % (2007-2009) to around 15 % currently. Despite the cyclical character of restructuring events, the decreasing proportion of large-scale event seems to be a trend. This does not mean that restructuring is a vanishing phenomenon, but that the relative proportion of very large scale cases is decreasing. It should also be noted that very large enterprises are far less common in some Member States than others. This does not necessarily mean, however, that these Member States are less affected by restructuring, as restructuring events in smaller enterprises can also have economically significant impacts on the regions concerned, especially in less densely populated regions.

[41] Please see EGF mid-term evaluation (COM(2018)297 final,16.5.2018 and SWD(2018)192 final, 16.5.2018) for an extensive analysis of recent trends in globalisation.

[42] EaSI is composed of three axes: PROGRESS, EURES and the Microfinance/Social Entrepreneurship axis.

[43] http://www.eif.org/what_we_do/microfinance/easi/easi-guarantee-instrument/index.htm

[44] The Commission has until the end of the programme implementation to reach the minimum amounts. Where socio-economic developments or findings in the mid-term evaluation so require, the Regulation allows 5-10 % re-allocation of funds between axes and individual thematic sections. However, the first two years of implementation showed the rigidity of the current EaSI framework in terms of the proportion of funding allocated to each axis and thematic section. This also affects the planning of activities for emerging (e.g. refugee crisis) and *ad hoc* needs.

The EU is now on a growth path after an economic and social crisis that has left deep scars on the economic and social fabric. To ensure the sustainability of growth and to remain competitive, European societies need to anticipate labour market changes and people have to gain the right skills for today's and tomorrow's job market. Constantly evolving **technology, productivity and globalisation** paradigms require constant upskilling and reskilling of the workforce to face the new digital and automation challenges and the changes in skills requirements due to the low-carbon and climate resilient transition.[45] This will trigger fundamental transformation across the entire economy and a wide range of sectors. For example, the number of jobs in the environmental goods and services sector in the EU increased by around 50% between 2000 and 2014.[46]

The current and future trends related to demography, migration, technological change, work organisation and labour market will have a tremendous impact on **education and training systems and skills needs**. The number of entrants in initial education and training is already on the decrease. This decrease could be balanced, at least in the short to mid- term, by more investments into retaining children in school and up- and re-skilling of adult working population in order to respond to the rapidly evolving skills requirements, also linked to new technologies. For instance, it is considered that across the OECD countries almost 14 % of existing jobs are highly automatable (i.e., probability of automation of over 70 %) and 60 % of jobs face a moderate level of automation.[47] In addition, the education and training systems face a challenge of ensuring inclusion of an increasingly heterogeneous group of learners into society and the labour market, including low-skilled adults (also in the context of increased migration flows). However, **access to quality education, training and life-long learning opportunities** across the EU is still unequal. Today, 70 million Europeans lack adequate reading and writing skills, and even more have poor numeracy and digital skills, which puts them at risk of unemployment, poverty and social exclusion and also severely limits the competitiveness of the EU economy as a whole. Less developed areas require specific attention with regard to human capital and skills development.[48]

The latest employment and social trends are encouraging[49]: a record number of people (236 million) are now in employment, about 10 million jobs have been created since 2013 and labour market participation has been increasing steadily, reaching 73% in 2016. However, disparities and divergence across Member States remain significant with **unemployment** rates and indicators pointing to substantial slack in some labour markets while tightening is evident in others. Unemployment (18 million people in January 2018) and **long-term unemployment** remain among the most important challenges and, despite improvements, too many **young people** still struggle to find a (quality) job.[50] Although it has decreased – from a peak of 24% in January 2013 to 15.6% in March 2018 – the youth

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[45] See the Commission's white paper on *The future of Europe*, reflection paper on *Harnessing Globalisation* and reflection paper on *The social dimension of Europe*.

[46] Employment Statistics on the Environmental Goods and Services Sector, Eurostat

[47] Nedelkoska, L. and G. Quintini (2018), "Automation, skills use and training", OECD Social, Employment and Migration Working Papers, No. 202, OECD Publishing, Paris. http://dx.doi.org/10.1787/2e2f4eea-en

[48] Communication *Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth*, COM(2017)376

[49] Employment and social developments in Europe (ESDE), European Commission (June 2017)

[50] *Ibid*.

unemployment rate is still high in the EU - more than double the overall unemployment rate (15.6% compared with 7.1% in March 2018). The NEET rate (age group 15-29) is also still very high, at 13.4% in 2017.

While the number of **people at risk of poverty and social exclusion** fell by 4.8 million between 2012 and 2015,[51] the fact that 118 million people were still at risk in 2016 means that social inequalities remain an important concern. Based on latest Eurostat figures nearly half of the unemployed people aged 16-64 were at risk of poverty after social transfers. In other words, the risk of monetary poverty was five times greater for the unemployed than for those in employment.[52] Income inequality started to decline slowly in 2016, having risen in the aftermath of the crisis. This reflects improved economic and labour market conditions. Nonetheless, there are considerable variations across countries: poverty and social exclusion are growing in some areas, such as EU15 cities while in EU13 34% of rural population is at risk of poverty (higher in rural areas than in urban areas). The risk of poverty and social exclusion also affects certain minority groups disproportionately.[53]

Migrants are one of the groups disproportionately affected. The larger number of third-country nationals migrating to the EU since 2014, in particular refugees (1.7 million third-country nationals have been granted international or subsidiary protection between 2014 and 2017), and the very unfavourable outcomes of third-country nationals in terms of employment compared with EU citizens means that more investment in migrant integration is needed.[54] In addition, long-term **demographic trends** (less working-age population, more senior workers and changing family structures) profoundly affect societies and the world of work by limiting the resources available for distribution across generations.[55] This requires tailor made labour market integration policies addressing a diversified workforce, including measures to promote gender equality, equal opportunities and combat discrimination. Health systems also need to adapt to be more accessible for all, more effective and resilient in time of demographical challenge. High quality and inclusive health systems are important to reduce socio-economic gaps between Member States, to lead to upward economic convergence and to ensure a healthy workforce in an ageing Europe.

Territorial specificities are also a key challenge for the future.[56] The Seventh Cohesion report underlines the challenges faced by certain territories, such as rural areas.[57] As an example GDP per head in rural areas in EU15 is 72 % of urban ones and only 42 % in case of EU13. The outermost regions[58] also face a number of issues: GDP per capita is much lower than the EU average, unemployment is critically high, particularly in the young population (with a rate above 40% in all outermost regions). There is also a high dependence on sectors such as public administration or social services. In its strategy for

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[51] *Ibid.*
[52] http://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20180226-1
[53] *Seventh report on economic, social and territorial cohesion,* European Commission (2017)
[54] *Ibid* (Chapter 2 Social Cohesion, p.54-94).
[55] *Ibid*
[56] Respondents to the open public consultation on 'EU funds in the area of Cohesion' ranked as 'rather important' or 'very important' the policy areas: 'reduce regional disparities' (94%), 'reduce unemployment, promote quality jobs and labour mobility' (92%) and 'promote social inclusion and combat poverty (91%)'.
[57] Article 174 TFEU targets rural areas.
[58] Article 349 TFEU acknowledges the special characteristics of the outermost regions and affords them a special status.

the outermost regions (October 2017[59]), the Commission committed to support people from these regions to foster their employability and to adapt their skills to new production systems and technologies through the ESI Funds. This also shows that the quality of **governance** varies substantially in Europe, resulting in unbalanced efforts to reform employment, education and training and social systems.[60]

2.1.2.2 Cross-cutting MFF and fund-specific challenges

Despite their proven EU added value (see section 3), evaluations and stakeholder consultations have identified a number of challenges faced by EU funds investing in people. These challenges can mostly be grouped along the cross-cutting objectives of the new MFF (coherence and synergies, flexibility, focus on performance, and simplification), as presented below.

2.1.2.2.1 Limited interaction and alignment between funds

Studies[61] highlight a **diversity of rules and limited synergies** between EU funds investing in human capital development, weakening their potential impact, visibility and accessibility to beneficiaries and citizens.

While the funds are designed to complement each other, their substantial diversity leads to inefficiencies. The divergent rules and requirements explain this limited coherence and lack of coordination between similar interventions supported by different funds (national authorities designing and managing programmes and projects under the various funds often operate in silos). Also, overlaps have been identified as regards target groups and specific actions.

In theory, the FEAD and ESF complement each other. Programmes under FEAD provide support for the most vulnerable with material aid (e.g. food, clothing). Action under the ESF focuses on more complex social support and professional activation, and can represent the next step into bringing a sustainable end to poverty.[62] However, in the current regulatory context FEAD and ESF projects are often managed separately and based on different project requirements (while in theory they could be managed by the same authority). As a result, interventions for each fund are also planned separately, sometimes in the absence of a strategic policy approach. According to FEAD project managers, this sometimes stands in the way of a seamless transition by vulnerable participants from FEAD to ESF projects.[63] The link between material assistance support (supported by FEAD) and comprehensive social support and professional activation (supported by ESF) is under-utilised as a result.[64] This is especially an issue for Member States in which the FEAD programme size is so marginal that it restricts programme

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[59] http://ec.europa.eu/regional_policy/en/information/publications/communications/2017/un-partenariat-privilegie-renouvele-et-renforce-avec-les-regions-ultraperipheriques

[60] *Seventh report on economic, social and territorial cohesion*, European Commission (2017)

[61] See DG EMPL's studies (to be published): on the adequacy of the ESF's design to support human capital development policies and to support the work on the impact assessment of investments in human capital development

[62] European Union (2015) FEAD: *breaking the vicious circle of poverty and deprivation*, Publications Office of the European Union (Luxemburg 2015)

[63] From the third meeting of the FEAD network (7 November 2016).

[64] One exception is a recent Italian call for proposals for 2016-2019 which combines ESF and FEAD funding in joint projects. However, such joint projects are difficult to set up within the current funding architecture and depend on arrangements at national level. Stakeholders explain that the difference in the requirements for projects, monitoring on and evaluation are the reason that truly collaborative projects are scarce.

coverage. In all network meetings in 2016 FEAD stakeholders underlined the need for better coordination between FEAD and ESF projects, as needs in the FEAD context are not always addressed by relevant programmes (e.g. under the ESF), particularly when different authorities are responsible for managing the funds.[65]

The YEI and ESF have a lot in common when it comes to implementation: the same managing authorities (MAs) are responsible, mainstream ESF and YEI projects are often combined in a single programme and overall, despite some additional requirements for the YEI, the same rules apply.[66] Nevertheless, while there are no signs of problematic overlaps[67], certain specific features of the YEI's scope and implementation entail a significant administrative burden. As regards scope, MAs and beneficiaries find that limiting YEI support to interventions directly for people (while the ESF can also support structures) is overly restrictive. On implementation, the main issues concern the requirement to programme specific YEI allocations by identifying ESF matching funds (originating from different categories of region) which results in a complex exercise for authorities. The definition of the YEI target group at national level – exclusively NEETs who reside in the eligible regions – has also posed difficulties for the managing authorities.

As regards interaction between the ESF and EaSI, although the regulations provide for the upscaling of successfully tested social innovations, there is to date no evidence of this happening in practice. The mid-term evaluation of the EaSI programme indicated that its impact is partially hampered by the lack of specific mechanisms to encourage effective cooperation with the ESF. Moreover, the complexity of the ESF management and delivery system and the lack of a dedicated budget discourage potential candidates from applying to upscale successful 'social innovations' under ESF. This results in very limited use of the ESF to apply and upscale the results of the social experimentation carried out under EaSI.[68] In addition, the Microfinance/social entrepreneurship axis shows some limited complementarities with ESF actions.[69]

In case of economic restructuring, it is the EGF's role to offer reactive assistance to workers displaced in unexpected larger scale restructuring events that have a significant impact on the local economy. This assistance shall complement the more preventive assistance offered by the ESF. Despite design differences between the EGF and the ESF, there is evidence that the latter has been sometimes used for EGF-type measures. This is because of the long procedures for mobilising the EGF, especially in the 2007-2013 funding period, and due to the ESF's more favourable co-financing rates in less developed regions, which created unintended competition between the funds.[70] There is thus scope for better aligning the EGF and the ESF. Furthermore, it was not possible to observe an integrated approach to the use of the two funds in major restructuring events.

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[65] Study on the adequacy of the ESF's design to support human capital development policies, DG EMPL (to be published).

[66] For YEI interventions, MAs are required to report on additional common indicators in Annex II to the ESF Regulation. However, they should also report on the 'regular' ESF common indicators in Annex I.

[67] *The Youth Guarantee and Youth Employment Initiative three years on,* Commission staff working document (SWD(2016)323 final).

[68] The ongoing ESF thematic study on social innovation confirms the limited uptake

[69] For instance, as regards the EaSI Microfinance/Social Entrepreneurship axis, the EU-level support aims to foster systemic developments in a nascent social investment market, which goes beyond the labour market integration goals pursued by the ESF.

[70] European Court of Auditors (2013), Special report no 7: *Has the European Globalisation Adjustment Fund delivered EU added value in reintegrating redundant workers?*, p. 13.

In such contexts, Member States do not currently design strategic human capital investment packages into which they could integrate EGF and other types of national or European funding, thus missing out on potential synergy effects.

Lastly, despite the provisions for a common strategic framework for 2014-2020 in the Common Provisions Regulation which called for more synergies between ESI Funds and other EU funds (e.g. between the ESF and Erasmus+)[71], these have been very limited to date and practical cooperation between funds investing in people is very sporadic.[72]

2.1.2.2.2 Funding framework not fully aligned with EU policy priorities and/or social policy needs; rigidities in implementation

Current programming under the ESF has already shown a high degree of policy alignment, in particular as regards priorities set in the country specific recommendations (CSRs) under the European Semester process, including through the system of *ex-ante* conditionalities which facilitated efficient investments. It has also proven to be flexible in adjusting to emergency situations such as the economic and financial crisis and the migration crisis.[73] However, the economic governance cycle and new EU level policy initiatives are not always fully aligned with the funding frameworks especially as regards the ESF.

While the funds have been closely aligned with policy priorities in the 2014-2020 programming period, a recent study[74] on the mapping of CSRs highlights that there is scope for closer alignment between the Semester process and ESI Funds implementation on the ground. For instance, CSRs are often formulated broadly, without implementation targets and milestones and the contribution of the ESI Funds through the operational programmes (OPs) is not systematically monitored. In addition, while *ex-ante* conditionalities have proven to be an efficient way of supporting policy reforms at the beginning of the programming period,[75] they have not always been fully taken into account in programme implementation (e.g. in selection criteria and calls for proposals).

Various rules applying to the funds' design limit their ability to respond most effectively to employment, educational and social needs. The allocation of funding envelopes for the ESF is not directly linked to the policies it supports, but based mainly on the regional GDP methodology for structural funds. As a result, the ESF lacks sufficient resources to address specific target groups in higher-income regions and is restricted in the support it can give to metropolitan hubs in order to develop lower income regions. Also, strict territorial rules on implementation limit the funds' ability to foster mobility, as

[71] For example, Member States were encouraged to 'use ESI funds to mainstream tools and methods developed and tested successfully under Erasmus+ in order to maximise the social and economic impact of investment in people and, *inter alia* give impetus to youth initiatives and citizens actions'.
[72] Study on the coordination and harmonisation of ESI funds and other EU instruments, DG REGIO (to be published)
[73] *Ex-post* evaluation of the 2007-2013 ESF Programmes, Commission staff working document (SWD(2016)452 final, 12.12.2016).
[74] Study on the support of ESI funds to the implementation of the Country Specific Recommendations and to structural reforms in Member States, European Commission (2018) – under finalisation.
[75] Study on e*x-ante* conditionalities in the European Structural and Investment Funds (ESI funds), European Commission (2017): http://ec.europa.eu/regional_policy/en/information/publications/studies/2017/the-value-added-of-ex-ante-conditionalities-in-the-european-structural-and-investment-funds-esi-funds

programmes cannot (as a rule) support intervention beyond the borders of the region in question.[76]

As regards flexibility, the structure of the ESF does not allow programmes to adjust swiftly to changing priorities. The long-term nature of funding, and the need to set intervention targets and content in advance mean that it is difficult to revise these subsequently, where necessary. In addition, long and heavy adoption and amendment procedures make programmes relatively rigid.

Concerning transnational cooperation under the ESF, its current design is not conducive to the general dissemination and mainstreaming of successful policy interventions or work on common issues. In 2014-2020, Member States have made limited use of the transnational approach option, despite the provision by the Commission of an implementation framework in the form of a transnational platform supported by the EC's technical assistance budget.[77] This fact has been criticised by stakeholders as a lost opportunity for transferring solutions across borders. Underlying drivers include a lack of coordination in terms of common themes and the time needed to launch coordinated calls for projects. Effective learning requires indeed evidence-based understanding of what works and how, what does not work and why, and of the enabling and impeding conditions and national specificities. This requires professional facilitators and financial resources to validate the transferability potential and adapting the beneficial solution to other regional or sectoral contexts. This role cannot easily be pursued at the national level, as the evidence has largely demonstrated.

Despite important improvements in the legislative framework for the 2014-2020 ESI funds[78] as regards the partnership principle, mobilising partners across a broad range of countries and programmes is still a challenge, especially in the implementation phase.[79] The massive changes in society that lie ahead are expected to strengthen the need for partnership in order to build ownership and acceptance of reforms on the ground.

In FEAD, restrictions as to the types of intervention that can be financed reduce the sustainability of food aid and material support, in particular due to the lack of resources to support accompanying measures in order to achieve long-term poverty alleviation and social inclusion.[80]

The current funding structure for the EaSI - with relatively rigid allocation between and within axes – makes it difficult to adjust swiftly and efficiently to emerging priorities. Although this issue was considered in the context of the 'Omnibus' Regulation[81], greater flexibility would ensure more room for manoeuvre in the transfer of budgets between axes where needed.

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[76] Study on the assessment of the adequacy of the ESF to support human capital development policies, DG EMPL (to be published)

[77] *Ibid*

[78] Article 5 of the Common Provision Regulation requires each ESI fund programme to organise a partnership at all programming stages and at all levels A European code of conduct on partnership has been produced to support Member States in ensuring that all partners are involved at all stages in the implementation of partnership agreements and programmes

[79] Study on the implementation of the partnership principle and multi-level governance during the 2014-2020 ESI funds, European Commission (July 2016)

[80] FEAD mid-term evaluation (interim report), VC/2016/0664.

[81] 'Omnibus' Regulation, status March 2018: agreed by the co-legislators but still undergoing revision by the lawyer-linguists, planned adoption June 2018

The EGF eligibility criteria of funding require that it be used in response to redundancies due to globalisation or the financial and economic crisis. As a result the EGF currently does not cover other major economic developments. Workers made redundant for other reasons, e.g. automation or robotisation, face very similar challenges but cannot currently benefit from support.[82] Furthermore, in a globalised world, all these developments go hand in hand and reinforce each other, so that it is increasingly hard and artificial to single out a specific reason that triggered a restructuring event.

2.1.2.2.3 Complex requirements and high costs in management and delivery

The conclusions of the high-level group on simplification[83] and relevant studies[84] acknowledge the progress made in terms of simplifying the ESF. Nevertheless ESF management and delivery remain complex for a number of reasons:

- different rules with funds addressing the same policy objectives, making it difficult to establish synergies;
- detailed and complex regulations and guidelines;
- complex programming arrangements – excessively detailed partnership agreements and programmes[85] resulting in burdensome adoption and amendment processes and complex management of multi-fund programmes;[86]
- the application of strict territorial rules to the ESF (e.g. division by categories of NUTS2 regions and the associated funding allocation and implementation rules);
- disproportionate regulatory and audit arrangements (e.g. well-functioning systems are subject to the same management and control systems as other less effective systems and 'double checks');
- requirements linked to *ex-ante* conditionalities, including numerous assessment criteria and duplication of their assessment in the partnership agreement and programmes;
- institutional arrangements - cumbersome process for the designation of the authorities in particular due to the required IT structures;
- burdensome monitoring due to complex data-collection requirements and the limited use of administrative registers for the collection of participants' data; and
- the administrative burden of a system that relies mainly on real costs, and the associated documentation and archiving requirements.

These views were confirmed also by the public consultation: complex procedures and heavy audit and control requirements were seen as the most important obstacles that prevented the current programmes/funds from successfully achieving their objectives.

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[82] This is particularly relevant for Member States that accessed recently on which the impact of globalisation has not been so negative– rather, they have attracted jobs from elsewhere. Very few restructuring events in these Member States have fallen within the scope of the EGF in 2014-2020.

[83] High Level Group on monitoring simplification for beneficiaries of the ESI funds (set up by the Commission in July 2015)

[84] Study on the use of new provisions on simplification during the early implementation phase of ESI funds, European Commission (September 2017); study on the assessment of the adequacy of the ESF to support human capital development policies, DG EMPL (to be published).

[85] For 2014-2020 a total of 187 OPS have been set up for the ESF.

[86] In particular, programmes that combine ESF funding with the ERDF were slower to get off the ground, in particular as regards the ESF component: after the first three years, 70 ESF/ERDF programmes report average eligible expenditures of 3%, while the 78 single fund ESF programmes reported an average of 8% (study to the support the impact assessment of human capital investments, DG EMPL (ongoing)).

In some cases, the burden arises from the Member States' own regulations and requirements (gold-plating). In addition, the uptake of simplification measures, such as joint action plans (JAPs) or the many types of voluntary simplified cost option (SCO) has been slower than was hoped for, as Member States prefer stability and legal and financial certainty.[87]

In combination with the current 'n+3' rule for de-commitment[88], these factors result in delays to the start of programme implementation at the beginning of the funding cycle.

For FEAD, stakeholders at all levels recognise that the requirements in the basic EU Regulation are lighter than those for other shared management funds (especially the ESF). They argue that the administrative burden stems mostly from national regulations and requirements, which relate, *inter alia*, to: recording data/information on operations and end-recipients for monitoring purposes; bulky documentation for procedures and instructions; and excessive procedures for the certification of end-recipients.

For EaSI, stakeholders indicate that administrative requirements under direct and indirect management are much simpler than under shared management. The challenges in direct and indirect management include the need for continuous improvement of the application and project selection and implementation procedures.

As regards EGF, the extensive documentation required to apply for support contributes to a long approval process. The most difficult part to document is the reasoned analysis of the cause that triggered the restructuring event (globalisation or crisis). Member States submit applications to the Commission, which makes a proposal to the budgetary authority for the mobilisation of funds. The budgetary authority then takes the actual decision. In 2007-2013, the process took around 300 days on average.[89] Despite substantially shorter timing and stricter deadlines for the Commission and Member States in 2014-2020, which brought the average down to 200 days,[90] this is still regarded as far too long for an emergency response instrument. The *Reflection Paper on Harnessing Globalisation* argues that consideration should be given to making the instrument *more operational*, in order to ensure a *faster deployment* in response to a major restructuring event.

2.1.2.2.4 Performance and results orientation

All funds have made considerable steps to improve their focus on (measurable) results. Nevertheless, one has yet to see a full paradigm shift in this respect.

For the ESF, results-orientation improved in 2014-2020 through a clearer programme intervention logic, including specific objectives and quantified targets with baselines. In addition, systematic impact evaluations have been required. Thanks to the continued promotion of counterfactual methods for quantifying net effects, MAs have made more use of such methods, but this could still be increased. Payments are still largely based on

[87] See section 2.1.2.2.4 for more details.
[88] The 'n+3' rule means that payment claims by Member Stats should be submitted in the 3 years following the budgetary commitment.
[89] *Ex-post* evaluation of EGF 2007-2013, European Commission (2015).
[90] SWD on EGF mid-term evaluation (SWD(2018)192 final, 16.5.2018)

financial inputs/costs rather than on results, as uptake of SCOs based on results[91] has been slow. Programme performance is still principally assessed on the basis of absorption of funds, and only secondarily on the basis of contribution to objectives and results achieved. This 'input orientation' is the direct consequence of having to meet financial implementation target, which remains a precondition for the release of allocated budgets to the performance reserve. The regulatory framework has led MAs to prioritise absorption and the approval of projects over achieving the best possible results in addressing European priorities.[92] This aspect has also been visible in the context of YEI implementation whereby the frontloading of funding and the political imperative to absorb YEI funding fast has often led to prioritising the easy-to-reach NEETs over groups requiring more tailored policy interventions.[93]

The JAP approach was introduced for the 2014-2020[94] period. JAPs enable Member States to implement parts of one or more programmes using a results-oriented approach with a predefined goal. Focus on results is ensured through a coherent intervention logic and the reimbursement of expenditure through SCOs only when the defined output or result indicators are achieved. However, Member States and regions have in general chosen not to implement JAPs.[95] The reasons for low uptake include: concerns over introducing a new layer of programming; risk aversion; an overly complicated adoption procedure; the difficulty of determining output and results indicators to which to link disbursements based on unit costs or lump sums; and the fact that Member States see the option of using Article 14(1) of the ESF Regulation[96] as more efficient for setting simplified costs linked to a single operation.

For FEAD, proportionate monitoring and evaluation have been put in place in line with the requirement to respect the dignity of the most deprived. For the food support / basic material assistance strand this has resulted in the absence of fixed baselines and targets in the programme. For this strand, it seems that some common output indicators, notably on the type of food, are not relevant for the budget authorities. The potential of different types of support to address specific target groups depends on: the thorough identification of the group's needs; the capacity of local delivery organisations; and the cooperation/networking between stakeholders involved in the distribution and delivery of assistance. The intangible results of FEAD (improved cooperation, partnership and networking, empowerment, awareness-raising, capacity building) are also important and highly valued by programme stakeholders.

For EaSI, a comprehensive performance framework has been successfully set up at EU level, with regular monitoring of the programme implementation and evaluations. The monitoring system consists of a logical framework explaining how EaSI is expected to

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[91] Based on Article 14(1) of Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund (OJ L 346, 20.12.2013, p.470).

[92] Study to support the work on the impact assessment of human capital investments, DG EMPL (ongoing).

[93] This has been observed, inter alia, by the ECA in the context of its Special Report 5/2017 on youth employment policies and the implementation of YEI which analysed the first phase of YEI implementation in several eligible Member States. https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=41096

[94] Chapter 3 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund (OJ L 347, 20.12.2013, p.320)

[95] With the exception of Poland, which submitted a proposal for a pilot JAP in January 2018.

[96] The Commission was empowered to adopt unit costs or lump sums with when reimbursing ESF expenditure to Member States.

achieve results and impacts by laying out in detail the whole process from inputs to outputs, and outcomes. It also involves a set of key performance indicators, a system for gathering and storing information and a methodology for analysing and disseminating information about EaSI-funded projects and organisations. Provisions for the programme mid-term evaluation and ex-post evaluation are also planned in the EaSI Regulation.

For the EGF, the current monitoring and evaluation arrangements are basic. In the final report, Member States have to state the type of action and main outcomes, the characteristics of the targeted beneficiaries and their employment status. There are no common indicators to measure output and results. Similarly, no targets are set at the time of the application. Therefore performance cannot be assessed against planned outcomes.

2.2 Objectives of the programmes under the next MFF

2.2.1 Policy / general objective (for all funds)

In light of the challenges outlined above, the policy objective[97] of the proposal is to contribute to **a more Social Europe, implementing the European Pillar of Social Rights.**[98] The initiative therefore makes the link between the missions of the ESF+ and the clusters and principles of the Pillar by contributing to: equal opportunities and access to the labour market (including quality and inclusive education and training systems), fair working conditions and social protection and inclusion. It will also contribute to the employment guidelines and to the overall objective of smart, inclusive and sustainable growth beyond 2020 (UN's sustainable development goals)[99] and upward convergence. The initiative will thereby contribute to improving employment opportunities, raising the standard of living and increasing labour mobility and economic, social and territorial cohesion as set out in the Treaty on the Functioning of the European Union (TFEU)[100] and the EU Charter of Fundamental Rights. Finally, the initiative aims at enabling actions that are relevant, efficient, effective and coherent and brings maximum added value in delivering the objective of a more Social Europe.

2.2.2 Specific objectives

The above policy objective is translated into specific objectives, including by means of structural reforms and administrative capacity building. These objectives are based on the challenges identified in section 2.1.2:

> **1. investing in education, training and lifelong learning**: enhancing equal access to all levels of high quality and inclusive education and training systems, tackling early school leaving, increasing educational attainment and skills levels, facilitating transitions from education and training to work in particular through vocational education and training (VET) and flexible up- and re-skilling opportunities. It also includes increasing the labour market relevance of education, training and lifelong learning through anticipation of skills needs,

[97] The terminology 'policy objective' is based on the current wording agreed in the framework of the future Common Provisions Regulation and corresponds to a general objective.
[98] https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en
[99] http://www.un.org/sustainabledevelopment/sustainable-development-goals/
[100] Articles 162 and 174 TFEU

work-based learning, transparency and recognition of qualifications, formal and non-formal learning and investments in basic skills and in particular basic digital skills.

2. enhancing the effectiveness of labour markets and promoting equal access to quality employment, in line with the employment guidelines of the EU: in particular by improving access to employment and labour mobility and active labour market measures, ensuring fair working conditions, modernising labour market institutions including support for public employment services (PES), introducing new forms of work, improving work-life balance and reducing gender gaps in employment, addressing health risks including those relating to changing forms of work and helping to increase the capacity of social partners to promote social dialogue.

3. fostering social inclusion and tackling poverty: this includes promoting active inclusion and equal opportunities, especially for underrepresented groups, ensuring social protection including through accessible and good quality social, health and care services and systems, addressing health inequalities, promoting the rights of the child, the social integration of people at risk of, or in, poverty and social exclusion and providing basic material assistance (including food) to the most deprived. This also involves supporting the long-term integration of migrants, *inter alia* through social inclusion measures and basic material assistance.

4. demonstrating solidarity with displaced workers and self-employed persons whose activity has ceased in the course of unexpected major restructuring events with tailor-made support for individuals.

These objectives represent a continuity of the current objectives of the funds under consideration. The ESF+, including its directly managed strands, will address the objectives 1 to 3 which have an anticipatory dimension and a focus on *ex ante* support. The EGF will address objective 4 (*ex post* support). All objectives will be addressed in the programme structure and priorities (see section 3).

2.2.3. Cross-cutting MFF and fund-specific objectives

The following cross-cutting MFF objectives will be addressed through the delivery mechanisms (see section 4):

- **enhancing coherence and synergies between complementary funds -** the initiative should develop more shared approaches to programming and implementation so as to pool available resources to support integrated investments in people and to avoid overlaps. This involves a two-fold approach:
  - streamlining the rules applying to European funds implemented in similar modes (shared or direct management); and
  - increasing synergy, coherence and complementarities between funds investing in people;

- **flexibility and policy alignment –** this will involve making funds more responsive and strengthening the link to economic governance and EU-level

priorities. The funds should be better able to adjust to changing circumstances and policy priorities and to provide greater support to policy and system reforms;

- **simplification of fund programming and management** thus reducing the administrative burden for authorities and beneficiaries; and

- **performance- and results-orientation** to improve effectiveness and the way programme results and impacts are captured and assessed.

3. PROGRAMME STRUCTURE AND PRIORITIES

Articles 46, 149, 153, 162 to 166 and 174 to 175 of the Treaty on the Functioning of the European Union (TFEU) form the legal framework of the legal acts covered by this impact assessment. Titles IX (employment) and X (social policy) TFEU provide the present and future fund's legal and policy backbone. The ESF is established by Article 162 of the TFEU. The proposal for the ESF part of the Regulation is based on Article 164 TFEU. The legal basis for the EU Health Programme is Article 168 TFEU. Article 168(5) is the basis for the part of the regulation on the EU Health Programme. The legal bases for EaSI are Article 46(d), Article 149, Article 153(2)(a) and the third paragraph of Article 175 TFEU.

In the areas of social and employment policy, the EU has either shared competence with Member States (Article 4 TFEU) or competence to lay down arrangements within which they must coordinate their action (Article 5 TFEU). The reflections in this impact assessment will not change the general division of competencies between the EU and the Member States, or between the Member States and sub-national administrative and political entities. Funds under shared management are underpinned by, and have a strong focus on **subsidiarity and proportionality,** whereby the Commission delegates strategic programming and implementation tasks to the most appropriate level, i.e. Member States and regions.

Funding will concentrate on the priorities where Member State action supported by the funds delivers the most EU added value, in particular:[101]

- **implementing EU policies and priorities** – while the funds cannot work as an automatic stabiliser, evidence shows that they have added value in funding active labour market measures (added value of ESF spending has been close to 1:3 i.e. one euro has triggered close to three euros of social investment at national level)[102]. There is ample evidence that EU policies supported by the ESF (e.g. gender equality) would not have been implemented or would have been realised to a significantly lesser extent had it not been for EU investment;

- **promoting best practice and cooperation** - the ESF and EaSI in particular stimulate the promotion of best practices in all participating countries[103] so that EU citizens

[101] For more details, see Annex 3
[102] *Ex-post* evaluation of the 2007-2013 ESF programmes, Commission staff working document (SWD(2016)452 final, 12.12.2016)
[103] The EaSI programme is also open to non-EU (EFTA/EEA, candidate and potential candidate countries). Under the Overseas Association Decision, the overseas countries and territories (e.g. Greenland) can participate in conferences,

benefit from improved policy-making and implementation capacity. Transnational cooperation under the ESF and the mutual learning/peer reviews organised under EaSI allow participating countries to learn from each other and exchange good practice, thus helping them to develop more effective employment and social policies and improve the delivery of reforms in the policy fields in question. The EU Health programme supports the improvement of public health, preventing and managing diseases, mitigating sources of danger to human health, including by harmonising relevant legislation and focuses on improving the health of EU citizens and reducing health inequalities, encouraging innovation in health and increasing the sustainability of health systems and defending the EU against cross-border health threats. These activities will be stepped up in future;

- **promoting EU values** - EU added value is also about the promotion of EU values and respect of the EU Charter of Fundamental Rights. According to the Commission Communication on the post 2020 MFF[104], the respect of EU fundamental values is an essential precondition for sound financial management and effective EU funding for all future MFF funding programmes. Results from the open public consultation indicate that funds such as the ESF, FEAD, EGF and EaSI promote equality and social justice as key factors for sustainable peace and democracy.

3.1 The ESF+

The main reason for merging the funds (ESF, YEI, FEAD, EaSI and EU Health programme) is to streamline and simplify the funding landscape, to ensure synergies through integrated funding approaches in line with the policies supported and to demonstrate visibly that the Union invests in its people (a Europe that empowers). Consequently, the merging of the Funds is also expected to reduce the administrative burden linked to the management of different funds. The ESF+ is also largely ensuring continuity of all well performing requirements as Member States have invested significantly in 2014-2020 to set up new systems.

The merger is based both on the results of evaluations and on stakeholder consultations. In the view of managing authorities, a broad integration of funds would improve their capacities to streamline their strategic intervention across the social policy scope. This would enhance their flexibility in planning interventions, and facilitate the delivery of the principles of the European Pillar of Social Rights. Beneficiaries also confirm that there is still untapped potential to strengthen synergies between programmes and projects funded.

Scope of the ESF+

As highlighted in section 2, employment, social, education and training investment needs can be very broad. Accordingly, and in line with the identified objectives, the thematic scope of the ESF+ requires to – as today - remain broad, since it has to be sufficiently

seminars and meetings). As regards the participation of individuals from other countries in meetings, conferences, peer reviews, etc… the current EaSI Regulation provides (Article 18(4)) that the Commission may cooperate with other countries that are not participating in the programme. Representatives of such countries may attend events of mutual interest (e.g. conferences, workshops and seminars) that take place participating countries and the cost of their attendance may be covered by the EaSI programme.

[104] *A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020* , COM(2018)98 final

flexible to respond to evolving country-specific challenges (identified in particular under the European Semester). In view of the principle of subsidiarity, the ESF+ will, in line with the relevant principles of the European Pillar of Social Rights, continue: to improve access to and the quality of education, training and lifelong learning; to enhance the effectiveness of labour markets and promote equal access to quality employment; and to further support social inclusion and tackle poverty.

The ESF+, by integrating the current FEAD, EaSI, and EU Health programmes[105] will also provide support to the most deprived through food and basic material assistance, including accompanying measures and support social protection, health and healthcare (aggregating the scope of the different funds but not adding new areas). However, in line with the baseline scenario of budgetary reduction following Brexit, the ESF+ will not support broad administrative reforms in the areas that are not of its policy competence (such as for example the judiciary or e-government solutions). As a result, the ESF+ will (only) support the parts of the Pillar which fall under its scope: Art 1. Education, training and life-long learning; Art 2 and 9 Gender equality and work-life balance; Art 3 and 17 Equal opportunities & Inclusion of people with disabilities; Art 4, 5 and 10 Active support to employment; Art 11 childcare and support to children; Art 16, 18, 19 and 20 Health care and Long-term care and access to essential services.

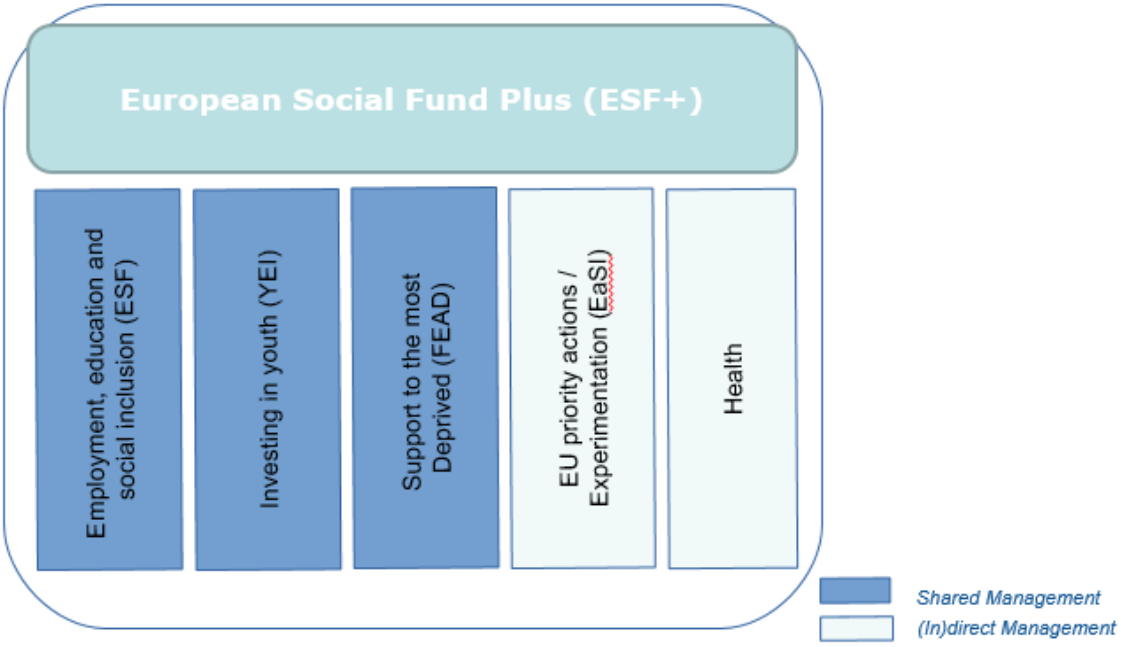
Programme structure of the ESF+

As stated in the introduction, the ESF, YEI, FEAD, EaSI and EU Health programme will be merged in a single Fund, the ESF+. Therefore, the ESF+ Regulation will replace the current ESF, FEAD, EaSI and EU Health programme regulations and will have multiple legal bases.

Support for the identified objectives will be provided through shared and (in)direct management using various instruments (including grant support, technical assistance and other supporting measures) relating to social innovation, labour mobility, transnationality, capacity building, and microfinance and social entrepreneurship.

Figure 3: the structure of the ESF+

[105] The YEI is already a part of the cuurent ESF Regulation (EU) No. 1304/2013 and is also integrated in the ESF+.



Beside general provisions applicable to all components of the ESF+, the regulation will establish:

- common rules for all shared management components (support addressing material deprivation), also providing derogations for ex-FEAD type of operations. This is justified by two main reasons: operations for basic material assistance are simpler and standardised and stakeholders have called for keeping this approach and not imposing more demanding ESF rules (e.g. for reporting of indicators' data, audit trail).
- rules for (in)direct management (ex-EaSI and EU Health programme and specific ex-ESF parts, e.g. transnationality actions) .

Prioritisation

The future ESF+ Regulation will ensure that resources are concentrated on the key challenges identified (see section 2): [106]

- **European Pillar of Social Rights and European Semester:** building on the objectives described in section 2, much of the ESF+ should be focused on the priorities and actions set out in the European Pillar of Social Rights, as well as the employment guidelines. [107] As the Pillar will be the main compass in the formulating of country specific recommendations and key challenges identified within the European Semester, Member States are expected to concentrate an adequate amount of shared management funds under the ESF+ for their implementation. Programming arrangements for the ESF+ would also be designed with a view to clearly identifiable financial allocations to the key

[106] In line with the overall approach taken in the next MFF, the ESF will ensure that it fulfils the potential to accelerate the low-carbon and climate resilient transition, and that it does not invest in activities that are incompatible with the related EU policy. Climate change tracking will continue in the future ESF+, keeping in mind the objective of the Funds.
[107] Taking also into account the Skills Agenda for Europe

reforms and challenges as set out in country-specific recommendations and more broadly in the context of the European Semester.

- **Youth employment**: to ensure that sufficient efforts are made in the post-2020 programming period (as is currently the case with the YEI), Member States with a NEET rate above a given threshold will be required to dedicate a set proportion of their shared management strand of ESF+ allocations to targeted action and structural reforms to support youth employment and school-to-work transition, giving priority to long-term unemployed and inactive young people. This would ensure that Member States facing challenges in this policy area programme an adequate share of ESF resources to support vulnerable young people who need assistance. Stakeholders and the European Parliament are very keen to see a dedicated budget for youth employment being maintained post-2020 and action in this area building on the lessons learned from the YEI. This also reflects the policy direction of the Youth Guarantee schemes that the Commission is working with Member States to promote, and is based on the recommendations of the European Court of Auditors to enhance the focus on outreach measures to the vulnerable young NEETs and improve the quality of services and job offers.
- **Social inclusion**: at least 25% of the ESF+ will be allocated to fostering social inclusion[108] to ensure that the social dimension of Europe as set out in the Pillar is duly put forward and that a minimum amount of resources is targeting those most in need. This will include promoting the social integration of people at risk of, or in, poverty and social exclusion and tackling material deprivation through food and/or basic material assistance for the most deprived (ex-FEAD). For the latter, Member States should allocate a minimum amount to this priority.

Under the (in)direct management strand (ex-EaSI and EU Health programmes and some ex-ESF parts), the ESF+ will include a series of improvements, including a sharper focus on disadvantaged groups and gender equality, greater budgetary flexibility and better integration between the current activities. The complementarities between social experimentation, analytical work, capacity-building, transnational activities and greater upscaling/deployment at national level will become clearer within the simplified ESF+ structure.

3.2 EGF

Primarily, the EGF will continue to support the principles of the European Pillar of Social Rights of equal opportunities and access to the labour market by co-financing measures that help improve the employability of workers made redundant in the course of large-scale restructuring events.[109] The programme will be structured so as to address the general objective set out in section 2: to focus on reactive assistance for workers displaced in the course of unexpected major restructuring events that have a significant impact on the labour market (*ex post* support). The EGF will continue to complement assistance offered by the structural funds, particularly anticipative measures as those

[108] In 2014-2020, Member States had to allocate at least 20 % to social inclusion and evidence shows that they even went beyond that (the actual proportion is almost 25 %)

[109] Under a derogation clause, the EGF offers in 2014-2020 assistance to NEETs in regions affected by a major restructuring event. The EGF post-2020 will not be used to offer assistance to NEETs anymore, as this help can more comprehensively be offered by the ESF+.

offered by the ESF+, or assistance for companies or regions offered by the ERDF. In order to reflect the trend towards fewer very large-scale events (more than 500 displaced workers), and considering that larger scale events (more than 250 displaced workers) also pose a significant burden especially on the labour markets in remote or less densely populated areas, the activation threshold will be lowered from 500 to 250 workers displaced within the reference period.

Taking into account the way globalisation is evolving, defining globalisation purely by offshoring or changes in trade flows does not seem to be sufficient anymore. In order to cater for other globalisation-related challenges such as trade disputes, the transition to a low carbon economy, or the technology-driven challenges of digitisation and robotisation, the scope of the EGF will be broadened. Considering the interplay and mutual effects of open trade, technological change or other factors and that it is increasingly difficult to conceptually separate and single out a specific factor that caused job losses, the mobilisation of the EGF shall in the future only be based on the significant impact of a restructuring event, defined by the above mentioned activation threshold of 250 displaced workers.[110]

It is acknowledged that the widened scope of the fund and the lower thresholds are likely to lead to more applications. However, experience has shown that Member States only request its mobilisation in true emergency situations. Even though the threshold currently is 500 displaced workers, applications range widely, from 108 to 6120 workers who lost their jobs within the reference period.[111] In order to mitigate the risks of a potentially higher number of EGF applications, the EGF will operate under a higher annual maximum amount of EUR 225 million[112] and the reference period will also be shortened from nine to six months (in the framework of sectoral applications).

As an emergency relief fund, the EGF shall remain outside the budgetary ceilings of the MFF. Emergency funds are not expected to absorb a specific budget. Being inside the MFF would therefore mean the contrary, having a specific budget that the fund is supposed to spend, which would turn it into a tool of regular restructuring assistance. However, being outside the MFF currently implies a lengthy mobilisation procedure which counteracts its function as an emergency relief fund. Therefore, the mobilisation procedure will be sped-up and streamlined (see chapter 4.3 below).

To reflect the overall challenges, improving the levels of basic skills and in particular digital skills will be a mandatory cross-cutting element of any package of personalised services offered. The level of training should be adapted to the qualifications and needs of the beneficiary. EGF intervention is much more likely to be successful if the package of measures is integrated into a tailor-made reconversion response for the affected region. This will involve closer alignment with the EU Quality framework for anticipating

[110] It should be noted here that the current EGF is not supporting workers displaced in the course of restructuring events that led to intra-EU offshoring. As all major restructuring events will be eligible post-2020, such a distinction will not be made anymore.

[111] The threshold was initially 1000 displaced jobs in the 2007-2013 funding period. The lower threshold of 500 displaced jobs did not create a big increase in applications in the 2014-2020 funding period. However, several applications used the exceptional circumstance clause, basing an application on a lower number of dismissed workers, as these dismissals had a significant impact on the region concerned.

[112] The up-take of an emergency relief fund depends on the number of emergencies, which are hard to predict. Should a severe economic downturn lead to a full uptake, possible consequences would need to be discussed at the time of the MFF review.

change and restructuring (QFR),[113] especially as regards the employment and social dimensions of structural change.

As in the past, no prioritisation is proposed as regards the geographical scope of the fund. Thematic priorities cannot be set, since by definition the EGF responds to emergencies in the form of unexpected restructuring events.

4. DELIVERY MECHANISMS OF THE INTENDED FUNDING

This section will assess the effectiveness of the proposed measures in delivering on the cross-cutting MFF and fund specific objectives (see section 2.2.3) and present possible alternatives.

4.1 Coherence and synergies

4.1.1 Coherence and synergies within the ESF+

As described in section 3.1 the ESF+ Regulation will provide for two strands:

- a shared management strand with common rules with other funds under shared management (Common Provisions Regulation), keeping derogations for simplified rules for ex-FEAD-type activities; and
- a direct and indirect management strand (outside the Common Provisions Regulation).

The ESF+ Regulation will complement the future Common Provisions Regulation and bring the programming, management and implementation mechanisms of the ESF, YEI and FEAD closer while responding better to the needs and objectives of the policies it supports.

Merging the ESF, YEI, FEAD, EaSI and EU Health programme is expected to have a large positive impact on the **coherence and synergies** between interventions supported under the different funds as the ESF+ will:

- fully integrate the measures dedicated to supporting NEETs (ex-YEI) - the ESF+ will continue to support the implementation of the Council Recommendation on the youth guarantee in the Member States. However, whereas the scope of the YEI was seen as limiting, as it did not allow for support for the structural measures and reforms required to implement youth policies properly, it will be possible to invest ESF+ resources in reforms and structures. YEI operations will also be better integrated under the ESF+ thanks to the simplification of the currently complex programming and reporting approach;

- provide more ways of linking basic material assistance (ex-FEAD) with additional support for social inclusion - by incorporating the former FEAD, the ESF+ will allow ensuring the transition from social inclusion activities supported

[113] Quality Framework for anticipation of change and restructuring (QFR): the QFR aims to contribute to companies' long-term competitiveness and considers the broader industrial and social impact of restructuring on cities and regions affected. It stresses the role of industrial and regional policies in anticipating the adjustment to structural change. The QFR calls for an integrated approach in anticipating and managing the adjustment to structural change by making full use of EU structural funds and of the EGF in the regions affected.

though the ex-FEAD to active measures aiming at supporting the integration in the labour market (while maintaining simpler provisions, in particular as regards monitoring, reporting, audit and control for food and basic material assistance interventions). It will provide a more effective response to poverty given that a job is one of the key means to get people out of poverty;

- provide direct links for the testing and upscaling of innovative solutions to social challenges:
    - as a cross-cutting principle in the shared management strand, the ESF+ will support social innovation aimed at re-designing and re-engineering delivery mechanisms for employment, education, social inclusion and support to the most deprived[114]. This will also be ensured through a strengthened bottom-up approach based on partnerships involving public authorities, the private sector and civil society (such as community-led local development);
    - the direct management strand for social experimentation (small-scale testing of new policy approaches) will continue and serve as a basis for social innovation/upscaling activities under shared management. The transfer or upscaling in the same country and across borders of successful innovations will be promoted through support for transnational partnerships, mutual learning, methodological/technical support for stakeholders and the creation of an appropriate information management system;
    - the currently underperforming set-up for transnational cooperation under shared management will be replaced by an EU level framework for transnational initiatives including: support for transnational partnerships, validation of the transferability of solutions, mutual learning and capacity-building for stakeholders, under direct/indirect management.
    - the future ESF+ Health component will further support Member States' efforts to collaborate in order to foster joint cooperation and to implement best practices.

Investment in human capital and skills development should also raise the innovation and employment potential of the whole EU, building on Member States' and regions' competitive advantages in line with their smart specialisation strategies.[115]

The merger of the funds is expected to have positive implications as regards the other cross-cutting and fund-specific MFF objectives, i.e. flexibility, simplification and performance- and results-orientation. Having a single fund will give Member States and the Commission more **flexibility** in spending EU funding across thematic areas and shifting budgets where needed, which in turn will help them address changing social needs and improve **alignment with EU policy priorities.**[116]

Integrating the funds should also **reduce the administrative costs** of managing the programmes[117] with:

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[114] Study to support the impact assessment of human capital investments, DG EMPL (ongoing)

[115] *Strengthening Innovation in Europe's Regions: Strategies for resilient, inclusive and sustainable growth*, COM(2017)376.

[116] Study to support the impact assessment of human capital investments, DG EMPL (ongoing)

[117] *Ibid*: "It was estimated that in Sweden the combination of the merger of the funds with a number of simplification measures would have a potential of saving 40-50% of administrative costs for FEAD"

- fewer programming documents, e.g. support for basic and material assistance (ex-FEAD) will be integrated in the programmes under a dedicated priority axis, with simpler rules;
- no need for separate managing authorities and monitoring committees; and
- while the ESF Committee will remain but with extended tasks to cover new areas of the ESF+ Regulation, the current comitology committee under FEAD will be taken up by the common comitology committee set up by the future Common Provisions Regulation. Only for the ex-EaSI and EU Health programme parts a separate comitology committee might have to be set up.

By introducing streamlined programming and implementation rules, the ESF+ is also expected to reduce the administrative costs of beneficiaries who are currently tapping into different funds. For example, the specific rules on matching funds from the former YEI budget line and the ESF will be dropped, thereby alleviating administrative burden.

Lastly, the merger of the funds is expected to reinforce **results-orientation logic**, in particular by making financing subject to compliance with conditions (see sections 4.3 and 4.4).[118]

Risks and mitigating measures

Merging the funds bears risks in terms of administrative burden for some of the current funds. The risk of applying the more complex ESI funds rules to ex-FEAD-type interventions, in particular under programmes for food and basic material assistance, will be mitigated by programming within a specific priority axis and keeping specific simplified requirements in the ESF+ Regulation, e.g. simpler programming, monitoring and reporting, audit and control (see section 4.4). Stakeholders noted that integrating EaSI in the ESF+ could be risky in terms of effectiveness (e.g. less room for experimentation) and efficiency (risk that the heavy administrative procedures of ESF would be imposed on EaSI).[119] In mitigation, a specific strand in the ESF+ Regulation will provide support *inter alia* experimentation through directly and indirectly managed activities complementing the shared management strand.

Other options have been considered, but have been discarded for the reasons outlined below:

- 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+. This has been confirmed by stakeholders in the framework of the consultation process[120];
- merging the funds under shared management (i.e. excluding the EaSI and the EU Health programme, but including the EGF) – again, 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 also be lost;

[118] *Ibid*
[119] *Ibid*
[120] 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."

- keeping the FEAD as a separate fund, but merging the two types of FEAD programmes (material assistance and social inclusion) - this would allow for more synergies between the basic material assistance types of support and social inclusion measures while keeping the current implementation rules. However, it would not ensure adequate demarcation *vis-à-vis* ESF-type social inclusion measures;
- 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. Also it would not increase synergies and coherence with other human capital funds; and

4.1.2 Coherence and synergies between the ESF+ and other funds

Coordination should continue on the ground, with all funds investing in human capital development. Evidence shows that an important factor in effective integration is assembling the right territorial actors at project level.

ESF+ and EGF

The ESF+ and EGF will continue to complement each other, as the former will continue to function as a preventive and anticipatory fund, while the latter will remain a reactive emergency Fund outside the MFF. The ESF+ will for example complement the EGF by proactively supporting adequate measures in areas that are at risk due to foreseeable economic challenges. To increase coherence and synergies with the ESF+, a clear demarcation line will be established by removing the NEETs as a specific target group for the EGF. In addition, because more favourable co-financing rates have sometimes led Member States to use the ESF for EGF-type of measures, the EGF co-financing rate will be aligned with the ESF+ rate in the Member State concerned.

The initiative also aims at improving synergies and coherence between ESF+ and other funds investing in human capital development. For example, one stop shops in Member States should be considered to ensure coordination of funds on the ground and offer a unique access information point for potential beneficiaries on which Member States would be required to publish all their calls (e.g. via a single digital portal).

ESF+ and ERDF (and other ESI funds)

The ESF+ will continue to be part of cohesion policy and be mainly regulated by the Common Provisions Regulation with other shared management funds. As such same rules of management, programming, monitoring, auditing, etc. will apply. Programmes in Member States can continue to integrate ERDF and ESF funding (multi-fund programmes). Also, the same allocation methodology will apply to ERDF and the ESF. This will ensure that ESF+ and ESI funds, in particular the ERDF, continue to be implemented in a complementary manner.

ESF+ and Erasmus[121]

[121] Under the 2014-2020 period, the programme is referred to as "Erasmus+" however in the future it is proposed to name the programme "Erasmus". Naming is referred to accordingly throughout the text.

The ESF and Erasmus+ are active in similar fields, notably as regards the support to skills, upskilling, digital competences, etc. In the current period, some Member States use the two instruments in a complementary manner in order to reinforce actions where relevant, for instance by scaling up Erasmus+ measures through the ESF. However, such examples are rather exceptional. A specific element of Erasmus+ where demand for exchanges tends to be unsatisfied is VET mobility, including for apprenticeships/dual learning programmes. For the future, the respective legal bases could include further provisions to this purpose, to be set out in detail in work programmes and programme guides (e.g. through better articulated mechanisms to promote upscaling of Erasmus actions and policy experimentation through the ESF+ and vice versa, and enhance participation of Erasmus national agencies in the design of relevant ESF+ actions).

More details of complementarities and synergies between the ESF+ and specific funds are presented in Annex 4.

4.2 Flexibility and alignment with policy priorities

4.2.1. ESF+

Strengthening the link between funding and the economic governance cycle (a great achievement in the 2014-2020 period) is expected to improve alignment with policy priorities and flexibility to respond to emerging challenges. Some legislative changes to the economic governance framework would be required, e.g. adapting the calendar and changing the legal status of the country reports and national reform programmes.

In light of the above, two alternative scenarios[122] are considered:

1. A baseline scenario: with the Semester process in its current form, ESF+ investments could still be aligned, as at present, with annual CSRs but with the limitation that CSRs would be very general and not well fitted to programming purposes. We can expect the ESF+ contribution to remain significant in countries and for policy areas combining a stronger linkage between CSRs and programme objectives and more intensive ESI funds funding.[123] In this scenario, the legal framework for ESF+ programming would not be fundamentally modified with regard to the traceability of CSR related allocations, as the CSRs would continue to be adopted annually and therefore be reflected in *ad hoc* programme amendments, where relevant, adding significantly to the administrative burden.

2. A strengthened alignment between the European Semester process and the funds' investment cycles would simplify programming and reporting. Before the programming cycle starts, challenges falling within the scope of the ESF+ identified in CSRs adopted in accordance with Article 121(2) and Article 148(4) TFEU and in the European Semester, and accompanied by a set of investment-related guidance issued for each Member State, would trigger programming. The investment-related guidance would be linked with specific funding for the initial years of implementation (only part of the national allocation would be programmed). Following a mid-way review of challenges

[122] The changes to the European Semester process fall outside the scope of this impact assessment, so only the potential implications as regards ESF+ programming are discussed here.
[123] Study on the support of ESI funds to the implementation of the Country Specific Recommendations and to structural reforms in Member States, European Commission (2018) – under finalisation.

identified in the context of the European Semester, accompanied by a second round of investment-related guidance, the programmes would be adjusted (and the remainder of the budget allocated) for the second phase of the programming period. This measure would ensure that emerging new needs could be more easily taken into account by the Fund without distorting the long-term nature of structural funds. In order to mitigate the additional administrative burden relating to the review, this would replace the current FEAD mid-term evaluation and ESF progress report.

Further elements expected to increase policy alignment and flexibility of the ESF+ include:

- 'enabling conditions' (*ex-ante* conditionalities): based on the positive assessment [124] for 2014-2020 period, these will be maintained but compliance will be ensured throughout the programming period and if new objectives are introduced during the programming period, the relevant enabling condition will apply (continuous conditionality). In order to mitigate the potential additional administrative burden, the Commission's assessment of fulfilment will have to be reflected in the country reports and CSRs (one combined assessment exercise, instead of two in parallel);
- allocation methodology: more attention will be given to policy-relevant indicators in the financial allocation methodology, which will be common to the ERDF and ESF+ (the latter will continue to benefit from a pre-determined minimum share). Per capita GDP will remain a key factor in the allocation formula, but additional criteria based on a number of social indicators will be given greater weight. In addition, to strengthen ownership and improve the quality of investment, it is proposed that national co-financing be increased (while keeping the possibility for 100 % EU funding in some exceptional cases). Given the nature of ESF+ projects, a reasonable co-financing threshold should be ensured;
- more flexible territorial rules: over the current period, the plethora of programmes at levels of governance that are not necessarily responsible for employment and social policies has led to a mismatch between resource allocation and potential for relevant policy support. While the ESF+ will share common rules with the ESI funds and contribute equally to cohesion, it will be subject to more flexible application of the territorial rules. This should ensure better targeting on populations with higher needs, no matter where they live, being it in cities or rural areas. It will also allow for funding to be more closely aligned with policy, while giving Member States some flexibility in the way they allocate and implement it (national or regional level).

In addition, the partnership principle will be stressed by ensuring the balanced representation of all stakeholders in the monitoring committees, meaningful consultation with them on all aspects of ESF+ implementation and more resources to support their capacity-building. Technical assistance from the Commission and the Member States should be used for this purpose, together with relevant ex-EaSI resources that are available (e.g. grants supporting EU-level NGOs involved in the implementation of social policies).

[124] Study on the implementation of the provisions in relation to the *ex-ante* conditionalities during the programming phase of the ESI funds, European Commission (July 2016); http://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/impl_exante_esif_report_en.pdf

The following scenarios were discarded:

- devoting all ESF+ allocations to following up the CSRs – while this would result in strong alignment, it would not allow for support to be given to additional key policy priorities and recommendations potentially not covered under the European Semester. Given the limited scope of the CSRs, there is no guarantee that they will take full account of employment and social issues; and
- an annual re-programming cycle – while this would allow for an annual alignment of funding with the relevant CSRs, the uncertainty about funding priorities and the administrative burden linked to programming and implementation would prevent adequate support being given to medium-term policy action and reforms

4.3 Simplification

This section builds on the recommendations of the high-level group on the simplification of post-2020 ESI funds[125], the new 'Omnibus' Regulation[126], the MFF mid-term review, relevant studies[127] and stakeholders' positions and calls for continuity.

Given the objectives and activities to be financed and the need to reflect country-specific needs and challenges, shared management is considered still to be the most appropriate management mode for most actions (in line with the principle of subsidiarity and shared competences) except those where EU-level coordination is necessary and/or implementation requires specific/technical expertise and for which direct or indirect management is relevant. For the EGF in particular, shared management allows for the management of personalised packages of assistance for displaced workers which would be impossible under direct management.

4.3.1 ESF+

Shared management strand

Different forms of simplification have been explored for post-2020 to address the key sources of complexity identified in section 2.1. Some measures fall beyond the scope of the fund-specific regulations covered in this impact assessment and will therefore be reflected in the future Financial Regulation and Common Provisions Regulation. The combination of all these simplification measures and a gradual shift to a possible 'n+2' rule for de-commitment[128] is expected to contribute to a swifter implementation of the funds.

The simplification measures include:

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[125] High-level group on monitoring simplification for beneficiaries of the ESI funds (set up by the Commission in July 2015) http://ec.europa.eu/regional_policy/en/policy/how/improving-investment/high-level-group-simplification/

[126] 'Omnibus' Regulation revising the CPR and ESF Regulation, status March 2018: agreed by the co-legislators but still undergoing revision by the lawyer-linguists, planned adoption June 2018

[127] Study on the use of new provisions on simplification during the early implementation phase of ESI funds, European Commission (September 2017)

[128] The 'n+2' rule means that payment claims by Member Stats should be submitted in the 2 years following the budgetary commitment.

- streamlined common rules for funds under shared management and closer alignment of fund-specific rules for the ESF, YEI and FEAD (still allowing for simpler provisions for ex-FEAD-type interventions such as monitoring, in particular in the context of food and basic material assistance);
- dropping unnecessary and unjustified provisions from the regulations and seeking to cut the number of guidelines;
- simplified programming arrangements - simplified and concise strategic documents (ex-partnership agreements) and programmes and limited derogations to establish multi-fund programmes;
- more flexible application of territorial rules for the ESF+ in the allocation and implementation mechanisms ;
- streamlining the *ex-ante* conditionalities (future 'enabling conditions') - keeping the system but reducing their number, clarifying the criteria for assessing fulfilment and restricting assessment to the relevant policy level;
- continuation of the existing system of authorities, IT structures and management and control systems;
- streamlined programme reporting and monitoring: e.g. using administrative registers for data collection where possible, no specific requirements for reporting on ex-YEI-type operations;
- increased use of SCOs and payments based on conditions, e.g. by:
    - providing additional off-the-shelf SCOs for Member States, thus reducing the need to develop own methodologies;
    - making SCOs the default form of reimbursement; and
    - continuous training and support for MAs;
- proportionate audit and control requirements, in particular through the single audit rule introduced in the new Financial Regulation.

The use of SCOs will be further strengthened in the ESF+ as they are considered to have a number of advantages: they are expected to reduce the administrative burden for national authorities and beneficiaries[129], are less error-prone than real costs (i.e. they reduce the 'error rate')[130] and can ensure a focus on outputs and results rather than inputs and processes.[131] The use of real costs should be possible only on a case-by-case where justified. Administrative (control and audit) burden can effectively be reduced by moving away from a system of reimbursement based on actual incurred expenditure towards one system based on SCOs; this would have a significant impact on the assurance provided and could be among the criteria to apply when deciding upon single audit. In particular, using pre-defined unit costs or lump sums (off-the-shelf SCOs) would further maximise the benefits of SCOs.

[129] The study on the use of new provisions on simplification during the early implementation phase of ESI Funds found that, based on current use of simplified costs in the ESF, national authorities' administrative costs would fall by 1.9 % compared with the costs for the 2007-2013 period, while the administrative burden for beneficiaries would be reduced by 6 %.

[130] See section 6.12 of the European Court of Auditors 2016 annual report: https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=41732

[131] As recognised by the high-level group on simplification when concluding on SCOs: https://ec.europa.eu/futurium/en/system/files/ged/hlg_15_0012_00_conclusions_and_recommendations_on_simplified_costs_options_final_1.pdf

In line with the new form of financing based on the fulfilment of conditions, as provided for in the 'Omnibus' Regulation[132], the ESF + will seek to simplify whole programmes or funding areas (so called 'priority axes') of programmes by linking reimbursement for the funding area to achievement of the targets set in it. This would mean moving away from reimbursement for individual measures to a performance-orientated approach with reimbursement dependent on achieving the objectives of the entire funding area (see also section 4.4). It would extend the approach taken with the 2014-2020 JAPs further while tackling existing weaknesses and ensuring a more consistent mechanism for reimbursement of costs at the level of programmes. The approach of reimbursing costs based on the achievement of pre-defined results would be optional and would likely be more suited to the context of some programmes than others, for example, programmes consisting of typified and easily measurable activities.

In the field of audit and control, proportionality will be a cross-cutting principle at each level, without neglecting the focus on the assurance derived from the systems (i.e. proportionality cannot be at the expense of assurance). Full use should be made of the possibility of distinguishing between beneficiaries as regards the need for in-depth administrative verifications. Other criteria may be used to limit the administrative burden, in particular aligning management and control systems with the national systems in cases where the national co-financing rate is at least 50%. Another simplification measure would be to set out the criteria qualifying a programme and its authorities for application of a genuine single audit system. These need to be reasonable and achievable by every programme authority, they could include: the historical performance of the programme; the implementation of SCOs; strong ethical culture and integrity in the administration; and stable staffing and organisational arrangements for management and control. The benefit would be a reduced audit burden for programme authorities and beneficiaries, as audit activities would not be duplicated.

With more demanding social challenges and, at the same time, pressure on public budgets, there is a growing need for more efficient and effective public policies. Financial Instruments (FIs) represent a resource-efficient way to scale up the delivery of the funds and therefore could boost the potential of implementing employment and social policies. However, FIs cannot be regarded as a panacea or as an alternative to ESF grants, due to the specific nature of ESF activities (small projects, difficult target groups, limited or no direct financial return on investment, etc. – all of which limit the use of FIs). Since FIs are by definition suitable for financially viable projects, i.e. those which are expected to generate enough income or savings to pay back the support received, they must complement grants, rather than simply replacing them. To preserve the involvement from employers and industry attention should be paid to the funding level for supported activities. The ESF+ will continue to do this by providing support for investments in various forms: loans, guarantees, equity and other risk-bearing mechanisms, possibly combined with interest-rate subsidies or guarantee-fee subsidies within the same operation. In order to allow for flexibility, a new possibility is foreseen for the implementation of financial instruments under the future regulation, i.e. the contribution to the InvestEU initiative. However, the managing authorities will keep the option of implementing financial instruments on their own as previously.

[132] 'Omnibus' regulation revising the CPR and ESF Regulation, status March 2018: agreed by the co-legislators but still undergoing revision by the lawyer-linguists, planned adoption June 2018.

Targeted stakeholder consultations give evidence of important potential of the simplification measures to reduce administrative cost and burden.[133] The result of surveys carried out show that management authorities expect positive impacts in particular from the continuity of the national authorities designated under the current programming period, as well as from simplification of monitoring data collection and reporting. Beneficiaries assessed that particularly the implementation of reduced monitoring requirements and the single audit principle are likely to decrease administrative costs.[134]

Direct and indirect management strand

In future, direct and indirect management types of activity will be financed under a dedicated strand of the ESF+ Regulation. All direct and indirect management activities will benefit from common delivery mechanisms and a simplified monitoring system (see section 5).

In addition, the administrative processes (application, evaluation, selection, implementation) under (in)direct management can be further improved by reducing the volume of paper documents in the applications, establishing an effective critical mass for projects/amounts, and extending project duration where necessary in order to obtain the expected results and measure the impacts.

4.3.2 EGF

(In)direct management is not considered a viable option for the EGF, so it will remain under shared management. Experience has shown that a tailor-made package of personalised services needs to be designed by the authority closest to the citizens. Depending on the Member State and the type of restructuring event, this would usually be a local, regional or national authority. The implementation tasks will therefore be delegated to the Member State authorities. EU intervention is needed due to the scale of the impact of the redundancies, but in line with the subsidiarity principle it will be limited to what is necessary to fulfil the objectives of showing Union solidarity with displaced workers.

However, in order to speed up mobilisation, the Commission proposes a simpler decision-making procedure. Member States currently regard the background analysis as one of the biggest hurdle in applying for EGF assistance. Due to the extended scope of the EGF to cover different kinds of restructuring events (see section 3.2), the requirement for a reasoned analysis of what triggered the restructuring event will be dropped. Applications will be based on the 'significant impact' only (defined as 250 workers being made redundant in the reference period). This simplification would shorten the application process for both the Member State and the Commission (the Commission proposal to mobilise EGF could be shorter or even replaced by standardised documents). An easier and thus shorter application process and a wider scope would mean that the biggest barriers had been removed and Member States would thus be more likely to apply for EGF assistance. In order to mobilise EGF even more quickly, the approval process could be streamlined. Currently, the Commission analyses applications and

[133] See study to support the impact assessment of human capital investments, DG EMPL (ongoing)
[134] *Ibid*

submits extensive proposals for EGF mobilisation to the budgetary authority (in all EU languages). It presents proposals in the relevant European Parliament and Council working groups, and the Parliament and Council take a vote. If mobilisation is to be based purely on formal requirements (250 redundancies) extensive proposals and discussions of cases in the Parliament and Council seem no longer relevant. The budgetary authority could make part of the possible ceiling directly available in a lump-sum payment to the Commission and delegate the right to mobilise the EGF on its behalf (e.g. 20 %).

The above procedure would mean that the same results could be achieved in less time, making the fund more efficient. Faster delivery would also underline the emergency character of the fund and make it more effective.

4.4 Performance and results orientation

The findings of the high-level group on ESI funds simplification and the various contributions from stakeholders and practitioners indicate that the focus of interventions should be shifted from spending to actual results.

Given the challenges identified in section 2.2 and the associated objectives, the intention for the next programming period is to embed an intervention logic not only in the programming of a priority axis, but also in terms of the Commission reimbursing amounts on the basis of outputs/results achieved. As mentioned in section 4.3 this develops the JAP results-orientation logic and applies it in a simplified form and more widely. Programming and the reimbursement of expenditure will have to be based solely on negotiated outputs and/or results ('payments based on conditions').

The reasons such an option would be appealing, as compared with JAPs in 2014-2020 are that:

- ✓ the logic of linking funding to the achievement of outputs/results would extend to all operations under a priority axis and not just one operation, thus reducing the complexity of programming as well as monitoring and control;
- ✓ the amounts to be reimbursed would not have to be linked to real costs, thereby simplifying how they are set; and
- ✓ as the targets for outputs and/or results, and the associated amounts, would be set during the programming phase, they would not be seen as representing an additional layer of programming but will ensure that sufficient time is available for actual implementation of the operations.

This voluntary approach for Member States would shift the logic away from reimbursement by real costs or input-driven SCOs (which still involve significant administrative burden in justifying the activities) and would simplify programming. Compared to 2014-2020, the emphasis is to integrate such an instrument already during the programming phase into a programme and give Member States thus the opportunity to cover a significant part or the whole programme with such an instrument.

To remove the focus on inputs in the performance framework (meeting financial implementation targets, regardless of results to be achieved), it is proposed that the requirements linked to the performance reserve be abolished. Programme performance should be measured by meaningful output and result indicators set by Member States and not by input indicators that measure financial implementation.

Changes to the monitoring systems for both ESF+ and EGF (see section 5) will further enhance result-orientation.

5. HOW WILL PERFORMANCE BE MONITORED AND EVALUATED?

The Commission's better regulation guidelines[135] offer a framework for the general design and implementation of monitoring and evaluation systems.

5.1 ESF+

Shared management strand

The recommendations from the evaluation of the ESF 2007-2013 concerning the monitoring and evaluation system were addressed notably by introducing for the 2014-2020 programming period a set of common indicators together with detailed definitions and guidance for data collection; and by requirements for Member States to set targets, to report comprehensively on the indicators, to establish evaluation plans, and carry out impact evaluations. The double-counting of outputs was addressed, leading to a more reliable reporting on actual ESF achievements. The post-2020 monitoring and evaluation system will build on the current programming period, which has introduced substantial improvements to monitoring and evaluating performance of ESF, as compared to the previous programming period, and will rely on a similar, yet simplified system for ex-FEAD-type interventions.

The performance of the shared management strand of the ESF+ will be measured through common and programme-specific output and result indicators. Success will continue being assessed through the comparison of the achievements with the targets (achievement ratio) as well as the comparison of the results with the outputs (success rate). The main result indicators are related to the number of ESF+ participants who receive basic material assistance, engage in job-search, gain a qualification and/or find a job as a result of support. Targets for outputs and results will continue being set by Member States for each programme. The targets' reliability is expected to increase as they can be calculated based on current common indicator achievements.

The most noticeable improvement in the current programming period, comparable common indicators based on common definitions, has required huge investments in data collection and processing. It is essential that the existing, monitoring and information systems remain in place; only changes that reduce the burden of data collection and processing while increasing the relevance for management purposes are envisaged. Common output indicators will be reduced to the most relevant target groups of the ESF+ (e.g. number of inactive, unemployed, people not in education or training, young and elderly, low-skilled participants) and allow to calculate the planned achievements of the fund at EU level. Sensitive indicators with little relevance or complex definitions, e.g. 'other disadvantaged' will be dropped. Sensitive data may be collected through informed

[135] Better Regulation Guidelines, SWD(2017)350: https://ec.europa.eu/info/sites/info/files/better-regulation-guidelines.pdf

estimates (based on current practice for the FEAD), thereby avoiding the need to put difficult questions to difficult-to-reach participants. This will reduce the deterrent effect of having to answer sensitive questions and will simplify data collection. Where possible, definitions for common indicators will be reviewed to foster a wider use of available administrative registers for all types of data. Common indicators that are not applicable from the outset (e.g. employment in the case of pupils in primary schools) will no longer need to be collected. The number of common result indicators will also be streamlined, notably by merging ESF and YEI indicators.

The abolition of the performance reserve is expected to reduce the number of programme-specific indicators significantly, thereby simplifying collection and reporting.

Like data collection, reporting mechanisms will also build on the current system, including electronic data transmission, automatic validation rules, web-service and open data. The burden will decrease as fewer indicators, both common and programme specific will be reported. Moreover, the structured reporting of quantitative data will be simpler, as the current approval mechanism will be replaced by feedback on data quality and only quality data will be published. As a result, it will also allow obtaining more timely information about achievements.

Evaluation will remain the shared responsibility of the Member States and the Commission. *Ex ante* and interim evaluations will be carried out by Member States and the *ex post* evaluation of the fund by the Commission with the support of Member States. The Commission may also carry out at its own initiative further evaluations of the ESF+. The current comprehensive requirement on impact evaluations is maintained and the reporting of evaluation findings will be more structured. That will facilitate the meta-analysis of available evidence, facilitating the preparation of the next MFF as well as the mid-term review of the programmes.

Impact evaluations of all priorities of all programmes will be required for the assessment and quantification, where possible, of the impacts of the fund, as it is already the case for the current ESF. Reporting could be more structured, so that it will be easier to summarise and disseminate results by using for instance the evaluation criteria as defined in the better regulation guidelines. Also, support for the quantification of net effects of results through counterfactual impact evaluations will continue. As counterfactual evaluation is heavily reliant on data on comparable non-participants, MAs' and contractors' access to administrative registers will be facilitated while complying with data protection rules. Likewise, in the *ex-ante* evaluation or under *ex-ante* conditionalities, MAs will be required to investigate what data registers could be used for monitoring and evaluation purposes and to secure access to them from the onset. The use of macro-economic models for quantifying high-level impacts, e.g. on the employment rate, will be improved by structured data about ESF+ investments on NUTS2-level. Last but not least, the *ex-ante* evaluation carried out by Member States should gauge levels of gold-plating, in particular as regards monitoring and how they could be reduced in the next programming period.

Monitoring and evaluation requirements for ex-FEAD-types of operations such as food and material aid, will remain separate and simpler than for the rest of the ESF+. This reflects the intervention logic of basic material assistance targeting the most deprived people. It is essential that the current core elements of flexibility (e.g. informed estimates by the partner organisation) are preserved in the future. Monitoring of performance will be improved by setting baselines, and adding a few indicators on access to services, to reflect the extension of scope of assistance. The potential additional burden of these new requirements will be offset by the simplification of common output indicators (such as

food type provided). It is also envisaged to slightly expand the questions of the structured surveys for end-recipients with additional input from partner organizations involved, which is already the current practice in Member States.

Direct and indirect management strand

The performance framework will be updated building on relevant parts of the former EaSI performance framework.
The monitoring system will include qualitative and quantitative performance indicators and ensure that data for monitoring the implementation and results of the direct and indirect management strand are collected efficiently, effectively and timely.

Evaluations of the direct and indirect management strand will be carried out in a sufficiently timely manner to feed into different decision-making processes.

5.2 EGF

Monitoring the performance of EGF will be strengthened by introducing provisions for a common monitoring system with output and result indicators in the EGF Regulation. Success will mainly be measured through re-employment rates, i.e. the share of people who found a job after having received EGF assistance.

Based on the lessons learned, it is proposed that Member States should be required to include the delivery of common output and result indicators in their contracts with the implementing bodies. The requirements currently introduced in the EGF Financing decisions will be incorporated in the EGF Regulation, meaning to deliver data on the employment status of beneficiaries when the respective Member State submits the final report and a year later. This also includes information on the type and quality of employment (e.g. permanent/non-permanent) and changes in the beneficiaries' employability at the end of the operations (e.g. qualifications gained). The data will need to be collected based on surveys and PES data. This will enable assessment of the extent to which the assistance helped to improve beneficiaries' employability and helped changing their employment status, in order to see whether the fund functions effectively.

Given the findings of previous evaluations and Court of Auditors reports, case specific target setting will be introduced. These will need to take into account the specific characteristics of a case and the extent to which past cases are comparable. The targets should refer to beneficiaries' re-integration rates. The Regulation will specify the exact requirements regarding survey data and indicators to be provided, while Member States will propose case specific targets for approval by the Commission, in the application phase. These are necessary for reporting and evaluation purposes, but are not bound to sanction mechanisms or result based payments. Emergency situations can be characterised by the fact that they occur unexpectedly, in often quickly changing unpredictable environments. Result based payments would only be fair if the results could directly be attributed to the assistance granted and would not be heavily dependent on external factors as well. In the final reports, however, Member States will need to provide a reasoned analysis to what extent the targets have been reached

The EGF mid-term evaluation showed that future evaluations should be scheduled so as to ensure that enough data are available. Therefore, in line with the Better Regulation Guidelines, the timing of mid-term and final evaluations will in future be better aligned with the implementation cycle. For the EGF, this will mean that a mid-term evaluation is to be completed by 30 June 2025, and an ex-post evaluation by 31 December 2029.

Annex 1: Procedural information

1. Lead DG(s), D*e*cide Planning/CWP references

LEAD DG: DG EMPL

No DeCIDE planning as instructed by SG

CWP reference: *An agenda for a more united, stronger and more democratic Europe*, Commission Work Programme 2018, COM(2017)650 final (24.10.2017), Annex I, new initiative n°2 'multi-annual financial framework': Comprehensive proposal for the future Multi-annual Financial Framework beyond 2020 (Q2 2018) followed by proposals for the next generation of programmes and new own resources (legislative, incl. impact assessment, Art. 311 TFEU plus sectoral bases, Q2 2018)

2. Organisation and timing

Inter-service steering group led by SG on the upcoming MFF proposals in the area of human capital development.

1st meeting: 27 February 2018

2nd meeting: 20 March 2018

3rd meeting: 2 May 2018

4th meeting: 16 May 2018

Participating DGs: SJ, EPSC, ECFIN, GROW, EMPL, AGRI, MOVE, CNCET, JRC, REGIO, EAC, HOME, JUST, TRADE, ESTAT, DIGIT, BUDG, MARE, ENER, CLIMA

Inter-service steering group co-chaired by SG and EMPL on the study to support the DG EMPL impact assessment

1st meeting: 29 May 2017

2nd meeting: 6 December 2017

3rd meeting: 23 January 2018

4th meeting: 22 February 2018

5th meeting: 20 March 2018

Participating DGs: SG, EMPL, MARE, JUST, ECFIN, BUDG, GROW, REGIO, AGRI, SANTE, EAC, HOME, JRC, SRSS, CNECT

3. Consultation of the RSB

An informal upstream meeting was held on 24th January 2018 with RSB representatives and the participation of SG, DG BUDG and JRC. During this discussion Board members and representatives of the horizontal Services provided early feedback and advice on the

basis of the inception impact assessment (scoping paper). Board members' feedback did not prejudge in any way the subsequent formal deliberations of the RSB.

The RSB hearing took place on the 25 April 2018, the IA received a positive opinion with the following reservations:

Main RSB considerations	**IA 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 (section 2.1.1).
(2) The rationale and future use of the European Globalisation Adjustment Fund are not sufficiently explained.	The explanation of the rationale of the EGF has been improved in chapter 2.1.1.3, especially by adding info on its character as an emergency response instrument. The info on the future use of the EGF in chapter 3.2 has been improved by adding extensive info on the rationale for the proposed future changes, especially the broadened scope and the lower threshold.
(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 fund, 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 rational 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 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. SRSP)	The text clarifies the scope of the ESF+ regarding public administration reform to the extent possible given that at the time of writing this IA, the scope of the future SRSP 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).
(7) Strengthen the rationale for the EGF's revision.	See Main considerations, point 2.
(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	On monitoring and evaluation, see Main considerations, point 3. The views of stakeholders are summarised in the main

should include an interim evaluation of each fund. Explain how the stakeholders views were taken into account	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.

4. Evidence, sources and quality

The Commission services have contracted a number of studies to inform the Impact Assessment and the legislative- making process (please see the list below). In addition, a contractor has specifically conducted a literature review of relevant sources which has fed into the Impact Assessment (first in the list of sources).

Name of the study	Description	Links
Study to support the DG EMPL Impact assessment (FGB)	The study aims to feed into the Commission's assessment of the benefits of the Union's expenditure in human capital, into the establishment of a strong intervention logic narrative for future investment in human capital and in the assessment of the impacts of possible scenarios for the future. The study also supports the associated consultation work by the Commission.	*Ongoing*
Study on the assessment of the adequacy of the ESF's design to support human capital policies	This study expands and solidifies the evidence base and provides suggestions for the future development of a post-2020 ESF. The project evolved from assessing the strengths and weaknesses of the ESF into a more detailed assessment of the ESF's main challenges. By departing from the existing challenges, the study provides a detailed empirical base as input for the identification of policy options. The policy options defined throughout the study can be structured along three broad dimensions: (1) revising existing architecture of funds investing in human capital; (2) strengthening the link of ESF programming to EU priorities; (3) taking additional steps to support simplification of ESF. Key challenges are defined for each of the three dimensions, which are then explicitly linked to possible policy alternatives. The list of suggested options is not exhaustive and political considerations may lead to other options.	*Ongoing*
Study on the analysis of the first results of the implementation of the YEI and related ESF youth employment actions	The Youth Employment Initiative (YEI) launched in 2013 provides funding of €6.4 billion to support youth employment by targeting young people aged below 25 years (or below 29 in some Member States) who are not in employment, education or training and who reside in the regions of the European Union particularly affected by unemployment. This study provides an overview of the implementation progress of	*http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7931*

	the YEI from September 2013 to the end of November 2015 across the 20 eligible Member States. It also includes an in-depth analysis for a sample of countries and key points from the national evaluations.	
Analysis of the outcome of the negotiations concerning the Partnership Agreements and ESF Operational Programmes, for the programming period 2014-2020	The aim of the study was to provide an evidence-based review of EU Member States' strategic choices related to the programming of the European Social Fund for the 2014-2020 period. It consisted in a mapping of the content of Partnership Agreements and ESF Operational Programmes, including ESF multi-fund OPs, and analysing the extent to which the main innovations introduced by the ESF Regulation and the relevant CPR have been integrated in the programming documents, with a particular focus on the provisions concerning strategic programming and result orientation.	*http://ec.europa.eu/social/BlobServlet?docId=16970&langId=en*
Study on linkage with Country Specific Recommendations and supporting structural reforms	The study's objective is to assess to which extent the ESI Funds, and especially Structural funds, contribute to the implementation of structural reforms by Member States, in particular those which were put forward in the Country Specific Recommendations (CSRs).	*Ongoing*
ESF Performance and Thematic Reports 2014-2015		*Ongoing*
Study on the Monitoring and Evaluation Systems of the ESF		*Ongoing*
Ex post evaluation of the EGF		*http://ec.europa.eu/social/BlobServlet?docId=14371&langId*
Mid-term evaluations of the EaSI programme		*Ongoing*
Mid-term evaluations of the		*Ongoing*

FEAD		
Mid-term evaluation of the EGF		COM(2018) 297 final, 16.5.2018 *and* SWD(2018)192 final, 16.5.2018
7th report on economic, social and territorial cohesion. European Commission	Analysing the current state of the EU's economic, social and territorial cohesion, the Cohesion Report covers all EU territories. Europe's economy is bouncing back but disparities persist between and within our Member States. Public investment in the EU is still below pre-crisis levels, while regions and Member States need to invest more to respond to today's challenges such as the digital revolution, globalisation, demographic change, social cohesion and economic convergence. The Report suggests an EU-wide policy serving three main purposes: harnessing globalisation, leaving no one behind and supporting structural reforms.	*http://ec.europa.eu/regional_policy/sources/docoffic/official/reports/cohesion7/7cr.pdf*
European Commission Synthesis report ex-post evaluation ESF 2007-2013.	Main lessons included the following (which have already been partly included in the 2014-2020 reform): The ESF should continue to be closely aligned with EU and national policy priorities, as well as those of the European Semester. It should maintain its flexibility to adjust to emerging needs, ensuring good coverage of disadvantaged groups – focusing both on young and older people. More tailored training activities to the needs of stakeholders would be an improvement. The ESF should be even more result-oriented by defining, for example, robust objectives and targets and by strengthening monitoring and evaluation systems. In order to reduce the administrative burden of the fund management, further simplification should be developed and implemented while the Member states administrative capacity should be further enhanced.	*http://ec.europa.eu/social/BlobServlet?docId=16810&langId=en*

Study on the use of new provisions during the programming phase of the European Structural and Investment (ESI) Funds	The analysis covered the 28 Partnership Agreements and of 292 operational and co-operation programmes for the 2014-2020 period financed by the European Regional Development Fund, the Cohesion Fund and the European Social Fund. It was completed with a survey of managing authorities and interviews at European, national and regional levels. It revealed that the new regulatory framework has significantly altered the Member States' approach to programming. The new provisions required programmers to link strategic thinking and result-based management, and relate strategic thinking with the objectives and the means of the Europe 2020 strategy. The new programming approach succeeded to make the strategy behind the allocation of resources, the links between means and results more specific and transparent than before. However, the presentation of programmes became rather complicated. The wide range of needs addressed suggests an apparent demand for integrated territorial approach. At the same time, the scope for applying the integrated instruments in all sectors and types of areas has not yet been exhausted. Implementation-related new provisions were among the less controversial elements of the nineteen new provisions analyzed, and in general, Member States did comply with new requirements in this area. This provides a good basis for further developing implementation capacity.	*http://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/new_provision_progr_esif_report_en.pdf*
Study on the implementation of the provisions in relation to the ex-ante conditionalities during the programming phase of the European Structural and Investment (ESI) Funds;	The study reviews the implementation of the ex-ante conditionalities that were introduced in the Regulations of the 2014-2020 European Structural and Investment Funds and were assessed through the Partnership Agreements and Operational Programmes developed to deliver those funds. The research findings highlight the value of ex-ante conditionalities, in encouraging the fulfilment of EU regulatory requirements faster than might have been the case in their absence and reinforcing effectiveness through associated strategies in the policy areas supported by ESI Funds. The process has also allowed the Commission to engage in a dialogue with	*http://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/impl_exante_esif_report_en.pdf*

	Member States, resulting in an improved understanding of the situation in the Member States. However, in some of the 'older' EU-15 Member States, the added value was perceived to be limited and the process of assuring the conditionalities attracted some criticism for being disproportionate to the benefits. Timing, costs and the extent of actions required to fulfil some of the conditionalities have generally exceeded the original estimates or required more resources than was envisaged, by both the Commission and Member States.	
Study on the implementation of the provisions in relation to the performance framework during the programming phase of the European Structural and Investment (ESI) Funds	The performance framework (PF) and performance reserve have been included as compulsory elements in programmes in the 2014-2020 programming period of the European Structural and Investment (ESI) Funds in order to ensure that programmes are kept on track to achieve their objectives and that progress can be adequately measured. This report provides a synthesis covering the manner in which the provisions relating to the PF and the performance reserve are reflected in all Partnership Agreements (PA), operational programmes (OP) under the Investment for Growth and Jobs Goal (IGJ) financed by the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), including multi-fund programmes co-financed by the European Social Fund (ESF), and the European Territorial Cooperation (ETC) programmes financed by the ERDF. The study is based on 60 interviews, desk research and additional information provided, a focus group with representatives from the European Commission and a web-survey. This final report analyses and assesses the processes for the establishment of the PF, how PFs have been designed (i.e. the indicators used for milestones and targets), the establishment of the performance reserve, and the strengths and weaknesses of the PF and performance reserve. The findings show that the PF is overall helpful in focussing programmes and contributing to a results-oriented approach. However, while there are clear benefits from the PF, there are also a number of caveats and challenges emerging from the analysis.	*http://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/impl_pf_esif_report_en.pdf*

Study on the implementation of the partnership principle and multi-level governance during the programming phase of the European Structural and Investment (ESI) Funds	In the legislative framework for the 2014-2020 ESI Funds the partnership principle has been strengthened. Article 5 of the Common Provision Regulation (CPR) makes it compulsory for each ESI Fund programme to organise a partnership at all programming stages and at all levels. A European Code of Conduct on Partnership (CoC) has been set up to support Member States to ensure that all partners are involved at all stages in the implementation of Partnership Agreements and programmes. Even though the partnership principle is not new for the 2014-2020 ESI Funds, more importance has been given to stakeholder involvement and influence. The aim of this study is to review the establishment of the partnership principle and the application of the CoC in the Partnership Agreements and programmes financed by the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), including European Territorial Cooperation (ETC) programmes and multi-fund programmes co-financed by the European Social Fund (ESF). The study analyses data collected by document analysis, web-survey and interviews. The partnership principle has been satisfactorily respected in a wide range of countries and programmes. However, there are still challenges across a broad range of countries concerning the mobilisation of partners. Generally the modified legal framework was perceived as positive as it increased awareness and visibility of the partnership principle. The level of stakeholder involvement has improved since the 2007-2013 programming period, although there are sometimes differences between the content of the programming documents and the perception of stakeholders. Overall, the partnership principle adds value to the implementation of European public policies.	*http://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/impl_partner_report_en.pdf*

	In order to reduce the administrative burden, respect the principle of proportionality, ensure sound financial management, and facilitate the implementation of the European Structural and Investment (ESI) Funds both for the Member States and the beneficiaries, the Common Provisions Regulation establishes a set of thresholds and limits on administrative requirements for operations benefitting from ESI Funds.	
Study on setting up a database to assess impacts and effects of certain thresholds and limits in the ESI Funds regulation	Modelling the impact of these new thresholds at the level of the operations with existing data was problematic as data was only available at an aggregate level. Therefore, the European Commission initiated this study to establish a database and subsequently analyse operation-level data from Operational Programmes supported by the ERDF and CF under the 2007-2013 programming period. Where possible, data that could not be collected was estimated. The assembled database was then used to analyse the distribution of operations, both in terms of the number of operations and their total cost, around six thresholds. This analysis was also applied to show the impact based on other criteria, including category of region, priority theme, territorial dimension, and for individual Member States. Finally, sensitivity analyses were conducted to analyse the impact that any potential changes in the thresholds would have on these parameters.	*http://ec.europa.eu/regional_policy/sources/policy/how/studies_integration/setting_db_report_en.pdf*
Study on the use of new provisions on simplification during the early implementation phase of ESI Funds	The study reviews whether 21 selected simplification measures generated the expected reductions. While previous studies addressed only single funds, this study, for the first time collected comparable figures on administrative costs and burden for all five ESI Funds.	*http://ec.europa.eu/regional_policy/en/information/publications/studies/2017/use-of-new-provisions-on-simplification-during-the-early-implementation-phase-of-esif*

Study on a new assessment of administrative costs and burdens in the ESI Funds		*Ongoing*
Study on alternative delivery modes		*Ongoing*
Feasibility study on performance based budget support including legal set-up		*Ongoing*
Study on coordination and harmonisation of the ESI funds and other EU instruments		*Ongoing*
Study on improving the take up and effectiveness of financial instruments		*Ongoing*
Study on the extent to which and how Member States used the ESF and the ERDF in the programming periods 2007-2013 and 2014-2020 to support their justice system.		*Ongoing*
Evaluation of the EU Framework for NRIS up to 2020 (covers the use of ESI Funds for Roma inclusion)		*Ongoing*

Annex 2: Stakeholder consultation

Following the Better Regulation Guidelines (Tool #55), this Annex summarises the DG EMPL consultation activities and their results.

1 Objective of the consultation strategy

The overall aim of DG EMPL's consultation was to:

- Gather input from the stakeholders of the five funding instruments subject to this Impact Assessment on the design and priorities for post-2020 EU investments in social and employment policies.
- Feed the stakeholders' input into the drafting of the legislative proposal and the Impact Assessment accompanying it.

2 Identified stakeholders

The consultation was 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.

A variety of stakeholders were reached in the consultation: members of the ESF, FEAD and EaSI Committee, EGF contact persons, EU-level platforms, networks and associations, representatives of for-profit and not-for-profit interests, including employers' organisations, SME organisations, trade unions, civil society organisations, national-level organisations or associations representing for-profit and not-for-profit interests; public authorities at EU level, public authorities at the national/regional/local levels (Managing Authorities, Intermediary Bodies, Audit authorities, beneficiaries) and finally consultancies, research organisations and academia. Finally, the four open public consultations[136] aimed to reach citizens across the EU.

3 Consultation methods and tools

The stakeholder consultation involved a variety of methods and tools in order to ensure that a sufficient variety and number of stakeholders would be reached, and that opinions would be crosschecked.

The consultation activities included: Open Public Consultations (OPC), stakeholder conferences and meetings, focus groups, interviews, targeted online consultation, analysis of position papers.

3.1. Open Public Consultation

The aim of the web-based public consultations was to gather feedback from a broad range of stakeholders in all EU languages. It was based on both closed and open questions on the policy challenges, subsidiarity, objectives of the programmes and

[136] DG EMPL funds were included in the following four clusters: cohesion; migration; values and mobility; investment, research & innovation, SMEs & single market.

obstacles to reach them, simplification and synergy between the programmes. In addition, stakeholders could submit their position papers on the EU investment instruments post 2020.

Furthermore, the impact assessment takes into account feedback from OPCs on the ESF 2007-2013 *ex- post* evaluation as well as the FEAD and EGF *mid-term* evaluations[137].

3.2.Stakeholder conferences and meetings

The conferences and meetings aimed to gather contributions from a number of stakeholders through direct interaction.

A first stakeholder conference in Malta opened the discussions on the ESF post-2020. Building on these, in cooperation with the Bulgarian Presidency DG EMPL organised a second stakeholder conference 'Investing in People: the Way Forward" on 15-16 February 2018 that brought together more than 350 stakeholders of all 5 Funds under DG EMPL's responsibility, including policymakers from across the EU, social partners, academia, civil society and business organisations. Participants took part in 8 workshops discussing key topics for the funds post-2020.[138] Furthermore, participants actively engaged in the panel discussions on the future EU investment in people by asking 251 questions and submitting 509 votes to polls through the Sli.do tool during the conference.

The proposals for investing in people post-2020 were also discussed with committees and groups involved in the fund management/coordination (e.g. EaSI / ESF / FEAD committee members, members of EURES coordination group, EGF Contact Persons) including public authorities, social partners, and civil society organisations.

3.3. Focus groups

Two focus groups of 20-25 participants were organised in the framework of the study supporting DG EMPL's impact assessment. Each focus group involved 20-25 participants, mainly stakeholders of the 5 Funds.

3.4. Targeted online consultation

Two questionnaires were designed for the purpose of the study supporting DG EMPL's IA: one targeting managing authorities and other stakeholders involved in the funds' management and the other targeting beneficiaries and end-users'.

3.5. Analysis of position papers

Stakeholders expressed their views on the 5 Funds post-2020 by submitting more than 700 position papers.

8 Member States formally or informally submitted views on the EGF post-2020.

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[137]http://ec.europa.eu/social/main.jsp?langId=en&catId=699&consultId=24&visib=0&furtherConsult=yes&path=cms&preview=cHJldkVtcGxQb3J0YWwhMjAxMjAyMTVwcmV2aWV3

[138] Investing in policy reforms; Pathways to employment; Synergies between EMPL funds; Social inclusion, Learning and working beyond borders; New ways of work; Education and skills; Performance, results and partnership.

4 Data processing and analysis

External experts helped process and analyse the data. A consortium led by the Fondazione Giacomo Brodolini analysed the results from the focus groups, conference, interviews and targeted consultation as part of the study supporting the drafting of the Impact Assessment (ongoing).

The results of the OPC on cohesion were analysed by external experts in *Applica*.

5 Results

5.1 Open Public Consultation

5.1.1. Cluster on Cohesion

The OPC on Cohesion policy gathered 4395 responses, of which 2426 from organisations and 1969 from individuals. After 'cleaning' the responses,[139] the questionnaires were reduced to 3,958. Responses were submitted by a similar number of individuals (47%) and organisations (53%). There is a significant overlap between those with experience of the different funds subject to the OPC; 57% of respondents reported experience of the ESF, 7% of the FEAD, 9% of the EaSI and 2% of the EGF. Regional and local authorities represent the largest type of organisation replying (18%); followed by NGOs (8%), and national public authorities (4%), and the rest each 2-3%. Importantly, micro and small enterprises made up over two-thirds of 'private companies' replying (which implies that medium-sized and large companies are disproportionately represented) and universities 65% of the 'research and academia' category.

Responses to the consultation were submitted from all the Member States, though the number from each differed markedly. The largest number of responses came from Italy (21%), followed by Poland (14%) – i.e. the two together accounting for over a third of the total replies received. France, Germany and Spain accounted for just under a quarter. To some extent, the number of responses appears to be related to the amount of Cohesion policy funds received.

The majority of respondents (78.9%) report that the Funds subject to this IA **add value compared to what Member States could achieve without EU funding** to a large extent (47.5%) or to a fairly large extent (31.4%). The added value of the funds is linked to promoting effective and efficient public investment; knowledge exchange between countries and regions; contribution to social integration and a more inclusive Europe; support given to policy experimentation and innovation; reducing regional disparities and facilitating convergence; and leverage effect of cohesion policy on public and private investment. Respondents from Austria, Croatia, Italy and Romania had the least positive opinion of the added-value of Cohesion policy, while respondents from Denmark, Finland, Latvia, Luxembourg, Portugal, Sweden and the UK had the most positive opinion

[139] Around 10% of replies were identified as being part of a campaign.

A high priority was assigned to all of the **policy challenges**, but above all were: 'Reduce regional disparities' (94% of all those replying), 'Reduce unemployment, promote quality jobs and labour mobility' (92%) and 'Promote social inclusion and combat poverty' (91%). Importantly, there is very little difference in the relative importance attached to the different challenges between respondents according to their experience of the different funds or country. Additional challenges identified include security, cultural heritage, demographic change, combating corruption and migration (although only 1% or less of respondents identified them).

According to respondents, **the most successfully addressed challenges** are 'Research and innovation' and 'Territorial cooperation', followed by 'Economic growth', 'Regional disparities' and 'Education and training' , while the less successfully addressed challenges remain 'Globalisation', 'The quality of institutions' and 'Sound economic governance and reforms'. Complex procedures are seen as the most important **obstacle to funds successfully achieving their objectives**, 86% of respondents agreeing to a large or a fairly large extent. The next most important obstacles are the heavy audit and control procedures (68% agreeing to a large extent or a fairly large extent that this is an obstacle); lack of flexibility to react to unforeseen circumstances (60% agreeing to a large extent or to a fairly large extent that this obstructs policy). Furthermore, 57% agreed to a large extent or to fairly large extent that the difficulty of ensuring the sustainability of projects was an obstacle to the funds achieving their objectives and 52% that insufficient administrative capacity was an obstacle. On the other hand, the difficulty of ensuring the financial sustainability of projects is viewed as being a more important obstacle than heavy audit and control requirements by respondents with experience of the FEAD and EaSI, and delays in payment and the insufficient involvement of civil society as being at least as important. Individuals and private enterprises, however, perceive complex procedures and control requirements as obstacles more than average, while regional and local authorities also regard the lack of flexibility to react to unforeseen circumstances as being important. For academia and research institutes as well as NGOs, the difficulty of ensuring the financial sustainability of projects is a more important obstacle than for other types of organisation. Additional obstacles identified in the OPC are: corruption and a lack of transparency in managing the Funds, a lack of strategy and priority setting in their allocation and a lack of integration of the Funds.

The most frequent responses to **what would help to simplify and reduce administrative burdens for the ESF** were: 'Fewer, clearer, shorter rules', 93% of the respondents indicating that this would help to simplify and reduce administrative burdens to a large or to a fairly large extent; 'Alignment of rules between EU funds, with 80.6%; 'more flexibility of activity once funding is eligible' and 'More flexibility of resource allocation' (78%); 'More effective stakeholders' involvement' (72.6%); simplifying ex-ante conditionalities (65.6%). Merging funds was identified as the surest way to strengthen synergies and avoid duplication and overlaps – as long as it contributes to simplification. The least frequent choice, interestingly, was 'More freedom for national authorities to set rules', which over half of respondents thought would help to simplify and reduce burden only to some extent or not at all. Although the above concerns the ESF, there are few significant differences in the average values calculated for each of the steps when respondents are divided according to their experience of the different funds. The main difference seems to be that respondents with experience in FEAD and EaSI

regard the ‘involvement of stakeholders’, as more important in achieving more simplification and a less heavy administrative burden. Indeed, NGOs and ‘Churches and religious communities’ consider ‘stakeholder involvement’ to be a more important step towards simplifying and reducing administrative burdens than other organisations, while ‘Regional and local authorities’ give more importance to ‘alignment of rules between EU funds’ than others. The main additional simplification measures listed were ‘coordination among actors’, ‘improved administrative capacity’, ‘changes in the system of controls’ and ‘more flexibility in the managements of the funds’.

As regards EaSI, stakeholders provided several strengths of the programme. The transnational development and implementation aspect represents a very high added value as this cannot be achieved at national, regional or local level. Respondents highlighted that EaSI funds made it possible to test innovative devices at cross-border level and to create a field of cooperation and dialogue between different types of actors. In addition to that, EaSI has been mentioned as one of the backbones for implementing the European Pillar of Social Rights and an essential tool for specific achievements, such as transforming and computerising social services etc. Several stakeholders advocated for alignment or merging of funds, linking ESF and EaSI through a common framework or having one social fund after 2020.

5.1.2. Cluster on migration

The OPC on migration gathered 350 responses, of which 185 come from organisations and 165 from individuals. Similarly to the respondents on cohesion policy, the majority (57%) of participants working with the European Structural and Investment Funds (including the ESF) believe that EU funding in the area of migration **add value** compared to what Member States could achieve without EU funding to a large extent (23.7%) or to a fairly large extent (33.3%). For example, ‘’*ESF measures such as social inclusion, training and education are also available to help people becoming independent in managing their accommodation and budget’’*, ‘*’the ESF and the ERDF have strengthened interdepartmental cooperation contributing to the integration of recently arrived migrants’’* and ‘*’ESF-funded organisations achieve independence from local, regional and national political actors and agendas and can thus operate as fully-fledged civil society agents’*’. The main **policy challenges** that the Funds in this area should address are supporting Member States’ work to accept and integrate migrants; meeting the reception needs of asylum seekers, refugees and other migrants; and ensuring solidarity with Member States facing the greatest migration pressure. However respondents see the **main obstacles** which prevent the funds from successfully achieving their objectives, the complexity of rules and high administrative burden, the lack of flexibility to respond to changing circumstances and difficulty in combining EU and national/regional interventions. The main measures selected by respondents for reducing beneficiaries’ administrative burden are clearer rules and simplified procedures, simpler access to funding, wider scope for interventions able to be funded.

5.1.3 Cluster on 'investment, research & innovation' and 'values and mobility' (EaSI relevant)

The 127 respondents having experience of the EaSI in the OPC on ' investment, research & innovation, SMEs and single market' suggest that the microfinance fund of EaSI could be transferred to other instruments that promote entrepreneurship (loan, guarantee) as a separate social strand/priority.

The 90 respondents who had experience with 'mobility' related EaSI actions noted that a future umbrella fund for human capital should maintain the direct management of EaSI as it is the only way to ensure that EURES border partnerships can continue to implement cross-border activities.

5.1.4 Open public consultation (OPC) on the FEAD mid-term evaluation

The OPC conducted in the framework of FEAD mid-term evaluation points to a broad agreement (93%) that supported activities make a difference to the most deprived, reaching the target groups (76%) and especially children at risk of poverty (79% OP I). The large number of responses to the OPC points to the relatively high visibility of the fund. These results were confirmed also by other fora such as focus groups conducted in the framework of mid-term evaluation that stressed necessity of maintaining the fund's flexibility and established delivery networks.

5.1.5. Open public consultation on the EaSI mid-term evaluation

EaSI's EU added value is widely acknowledged by respondents. It is considered that, while the main responsibility for developing labour market and social policies lies with the Member States, the EU brings added value to their actions by acting as a catalyst and facilitator to trigger national reforms in support of the EU common objectives and priorities laid down in the Europe 2020 strategy. Efficiency could be improved by allocating the financial resources more equitably and coherently between and within the three axes.

5.2. Focus groups

Participants suggested that the limited evidence on indirect and multiplier effects leads to an underestimation of Funds' **European Added Value**, which is in fact significant. Investment action at EU level contributing to upward social convergence is necessary for the well-functioning of the Single Market, and results in welfare system savings. Further **alignment between EU policy and funding** would increase the EAV**.** It is believed that without alignment, certain targets groups are at risk of not being targeted for political reasons (e.g. migrants, LGTB, Roma, people with disabilities). Participants stressed that social inclusion should not be neglected at the expense of employment measures.

In this regard, the current use of ***ex-ante* conditionalities,** while important, was seen as sufficient or even too high and it was suggested to limit their use to fund-specific issues. *Ex-ante* conditionalities of a more general nature raise questions of subsidiarity. It was also stated that *ex-ante* conditionalities should be improved by having more time for production and implementation ('rolling *ex-ante* conditionalities') and more stakeholder involvement, so that they do not remain a box-ticking exercise. Further on aligning policy and funding, strengthening the link between the funds and **the European Semester** requires paying greater attention to CSRs' impact on social goals (e.g. need for accompanying social impact assessment). Regarding **allocation**, it was stated that GDP

has its limitations as an indicator for poverty as a rich country can still have ‘pockets of poverty’. Adding social indicators could help increase the focus on social policy objectives.

Simplification was a main concern for ESF stakeholders. It was stressed that administrative burden risks emphasising compliance rather than results. Simplifications in the area of **audit and control** are likely to generate to largest impacts on the reduction of this burden, especially for the ESF. There was support for the single audit principle. **Monitoring** requirements are seen as disproportionate to what they intend to measure. A lack of **flexibility** in programming hampers Funds’ ability to address new needs if these are emerging. More flexibility of programming would be particular important for objectives setting, types of interventions as well as the adjustment of indicators’ and targets. **Simplified cost options** were reported to work well.

While the need for some change is recognised, **continuity is preferred** (“evolution, not revolution”), e.g. the start of the next programming period should not require a **recertification and re-designation of the relevant national authorities**, if there is no clear reason to do so. The many changes introduced with the current programming period resulted in serious delays in implementation.

Payments based on results would be an incentive to ensure participation and completing activities. But this may entail the risk of fraud, with beneficiaries inflating costs and/or exaggerating results. There needs to be a guarantee that human rights are respected when implementing the Funds. It was believed that this can be addressed by a **stronger Commission role in the monitoring committees**.

Continued technical assistance can help MA to develop and manage activities for new or problematic target groups (e.g. NEETs, migrants). In the case of EaSI, the lack of technical assistance and/or of an online platform is considered a problem for implementation and increasing the administrative burden.

Accessibility for smaller organisations, in particular civil society organisations, was seen as another key issue that requires technical assistance. For them **late payments** and the 20% co-financing requirement may also constitute a problem. What is more, although the **partnership principle** between civil societies and national/regional/local authorities is established, a number of **civil society organisations currently cannot take part in the monitoring** due to lack of resources. Capacity building should be provided to address this.

The question of **synergies and possible integration between EMPL Funds** was particularly important for EGF, FEAD and EaSI stakeholders. Participants’ preferred option was the **partial integration of shared management funds**. Regardless of the chosen option, however, it was stressed that **eligibility criteria** between the EMPL funds should be further harmonised. Participants also advocated for **more exchange and mainstreaming** of cooperation, mutual learning and innovative actions.

Participants stressed the importance of keeping a clear delineation for beneficiaries between **ESF and EGF** (for emergencies). Overall participants were in favour of keeping the EGF as a separate fund outside of the MFF in order to preserve the Fund’s flexibility. Arguments against it were that including the EGF in the MFF might create continuity of availability and would avoid the process of going through EP and Council, saving time.

A possible integration of **ESF and EaSI** would help realise synergies between EaSI's innovation and ESF's upscaling measures, which are in practice difficult to combine, partly due to different eligibility criteria and durations. A possible integration of EaSI should preserve the direct management mode (simpler rules, more flexible, easier to align with EU policy priorities, easier for civil society organisations to preserve their autonomy and independence).

Simpler **FEAD** rules should be preserved if the FEAD is integrated in the ESF+. FEAD target groups should be included in ESF due to the 20% rule, but there were doubts that the ESF takes social inclusion seriously.

5.2. Conference 'Investing in People – the Way Forward', including plenary discussions and 8 workshops[140]

The proclamation of the European Pillar of Social Rights together with the European Social Summit have **increased stakeholders' expectations for Social Europe**. Despite socio-economic improvements across the EU after the crisis, challenges such as **persistent inequalities, youth unemployment, people at risk of poverty and social exclusion, digitisation and ageing** remain. **EU investment is crucial for implementing EU policy initiatives** aiming to address these challenges: the European Pillar of Social Rights, the Skills Agenda, the Youth Guarantee.

A big part of the discussion concerned the scope of support and priorities for investment. There was a call **for not reducing the Funds' scope, as serious socio-economic issues are not yet tackled** - poverty, inequality and discrimination, migration, digitisation, skills shortages, rising of right wing and extremism. Participants all acknowledged the 5 Funds' European added value in tackling these, as it was appreciated that without EU funds, some important social and employment policies would not be implemented. However, it was stressed that the Funds should support long-term solutions – as they bring the highest value added compared to standard national-level solutions. While a **strategic vision in programming** was promoted, it should also allow **more flexibility** to respond to emerging needs, e.g. to reserve to face emergencies or for anticipation of needs to avoid excessive reprogramming.

Social Platform and other social networks' representatives put emphasis on **ring-fencing the social budget**, **supporting social inclusion beyond the labour market logic to target services** and **better access for smaller NGOs**. In particular, **investment in deinstitutionalisation** (e.g. quality family support services, inclusive mainstream services, community-based services, prevention and capacity-building of professionals) should continue and ensure adequate coverage of Member States based on need for support for DI, not on GDP. EU funding should not support any action that contributes to segregation or to social exclusion in line with the **EU Charter of Fundamental Rights** and the **UN Convention for the Rights of People with Disabilities**.

[140] Workshop (WS) 1 Investment in policy reforms: EAV and linking funds and Semester; WS2 Pathways to employment; WS3 Social inclusion; WS4 Synergies and complementarities; WS5 Working beyond borders; WS6 New Ways of Work and Work-Life balance; WS7 Education and skills; WS8 Partnership for results.

In terms of target groups, there was agreement to **focus on disadvantaged participants**, although not only**. Support for disadvantaged groups is perceived important for the EU budget's added value (e.g. people with disabilities, low skilled workers, Roma). Investing in youth** should remain a top EU investment priority, as today's youth remains in a precarious situation. ESF should invest in **upskilling**, including of **low-skilled** people, as well as to prepare specialists in job profiles that do not yet exist but are needed. Programmes should focus on people, by developing **person-centered, integrated** and **life-cycle** approaches. There should be a focus on **preventive measures** (not only on reactive) and **quality of jobs (not just number)**.

On the Funds' delivery, a main topic was **simplification**. Concrete proposals were to develop the use of simplified cost options; to introduce one online search portal to improve access to information about project calls and results for all funds, including national funds (one-stop shop). In this regard, **results-based approaches** were endorsed, albeit with some reservations such as risk of cherry picking and creaming of participants. A proposed mechanism to reduce this risk was a 'risk allowance'. It is also believed that a culture built on results for beneficiaries might create an atmosphere where partnerships works better. Finally, results-based orientation should be accompanied by a reduction in the weight of **audit**.

Related to simplification, the **capacity building of smaller potential beneficiaries (civil society or small municipalities)** most in need but without the capacity to respond to calls for proposals should be supported in order to increase their participation.

On policy alignment, the mismatch between 7 year programming period and the annual CSRs in the **European Semester** should be addressed, e.g. by a longer roll-out period for implementing CSRs. A proposal was made to **earmark funding to CSR implementation in the different priority axes**. Moreover, CSRs should specify how the funds should contribute to their implementation, and should allow for quantification and monitoring.

There was a very clear message that ***ex-ante* conditionalities** were targeted, efficient and sustainable (e.g. in deinstitutionalisation) and should be preserved. However in order to increase their effectiveness, they should be monitored, followed up rather than remaining a one-off exercise and should apply across EU finding instruments and across all EU Member States. The ESF should remain a part of **Cohesion Policy**. However there is a need to include **social indicators** alongside GDP, to make sure that funds go where they are needed (e.g. to reach migrants in urban areas that have high GDP).

Synergies and complementarities should go together with **simplification** and should help to mainstream innovative projects. The EU should also **foster a culture for synergies**, i.e. a culture of working together in a spirit of cooperation. Interventions need to be designed bearing complementarity in mind from the very start. Aligning the monitoring requirements between the funds would also help. A future ESF+ merging several funds should preserve the smaller funds' flexibility (particularly stressed for EGF). Concerns were raised that bringing together Funds with different management modes could create more complications than simplifications.

Monitoring and evaluation should pay greater attention to **qualitative** as opposed to quantitative data, and should develop a common methodology to measure impact and dimensions that go beyond labour market integration (e.g. intermediate steps, especially for people at risk of poverty and social exclusion). It was reminded that the difference

between failure and success is not clear-cut and the monitoring should move away from ticking boxes to looking at actual outcomes (instead of numbers).

The importance of **improving partnerships** through involvement of beneficiaries, notably NGOs in the management of the funds was a key issue in the discussions. The **European Code of Conduct on Partnership** was an important element in this period, but its implementation should be improved in the next period, e.g. by making it into an ex-ante conditionality for the next programming period, and with a stronger emphasis on the involvement of civil society end-users of the Funds. In addition, the European Commission and civil society need to have a **stronger role in the monitoring committees**. Local communities and the grass-roots should be more closely involved in the implementation and monitoring of EU funding.

Improving transnationality was a prominent question in the discussions. It should be improved and used not only to share ideas between countries, but also to develop new approaches together.

Consensus for ring fencing in the next programming period for **transnationality** and for **social innovation**, which would require all Member States to have transnationality and SI. The two elements should however be **dissociated**. On social innovation, it is important to use the ESF's potential in more risky innovative interventions, and to mainstream social innovation in order to ensure interventions' sustainability. In addition, stakeholders pleaded for the **return of a simplified version of the EQUAL programme** (discontinued in the 2014-2020 programming period) with more flexible rules and funding of integrated services.

Last but not least, the outcome of investments is not always in line with applicable **human rights law** (e.g. UN CRC, CRPD and the EU Charter of Fundamental Rights). A **rights-based approach** should be streamlined in the Regulation. There is a need for an easily accessible complaints mechanism to flag Funds misuse. Moreover, the respect of **quality standards** should be embedded in the Regulations to avoid funding activities that go against EU standards. To this end more investment in training Managing Authorities at all levels of respect for human rights.

5.4. Position papers

Overall, stakeholders express a strong wish for the cohesion funds to continue in the next MFF. Administrative **simplification** is also broadly welcomed. From the national perspective, aspect of trust linked to simplification of audit and control was highlighted. Positions of social partners favour simplification in order to increase the accessibility of funding to smaller organisations or regions which could increase the impact of the funds. CSOs suggest that **funds allocation** is based not only on GDP, but includes other indicators (e.g. social, demographic). The national and regional authorities and social partners welcome the use of **financial instruments** whilst underlying that the grants should remain the main source of funding. Social partners advocate for strengthening **partnerships**. Suggestions include the introduction of a new ex-ante conditionality to guarantee the efficient implementation of the European code of conduct on partnership or to review it to include a clear definition of the partnership principle and a legally binding provision on its implementation. *Ex-ante* conditionalities are generally considered to improve the programme preparation and implementation, but they should be more targeted. The policy papers show a high interest in improving the links between cohesion

policy and the **European Semester**, or reforms more generally. The outermost regions called for a robust implementation of the European Pillar of Social Rights in their area including the implementation of a specific allocation to cover their additional costs (based on article 349 of the TFEU).

6 Inclusion of stakeholder consultation results in the draft legal proposal

6.1 ESF

The ESF+ Regulation complements the Common Provisions Regulation, which includes most of the rules on the delivery system of these funds. The main proposals addressing stakeholders' feedback are outlined below:

- Following stakeholders' recommendations, **the ESF, YEI, FEAD and EaSI are merged into one Fund (the ESF+)** in order to **enhance synergies and complementarities**, as well as to **simplify access to and management of funding.** The CPR will include provisions so as to allow for synergies with other funds and Union instruments. From the ESF+ side it will be possible to benefit from synergies with especially Erasmus and Horizon Europe.
- In order to ensure the effective implementation of the European Pillar of Social Rights demanded by stakeholders, the **scope of support of ESF+** is translated into a number of specific objectives (former investment priorities) **aligned with the Pillar**. In line with stakeholder recommendations that the **social inclusion dimension of the ESF+ is strengthened (in relation to the employment dimension),** the integration of the FEAD allows for easier combination of provisions of food/material assistance with support for social inclusion. Moreover, **ESF+ resources are earmarked (at least 25%) to promote social inclusion and tackle poverty.** This responds to the need to ensure that the social dimension of Europe and that a minimum amount of resources are targeting those most in need. Following stakeholders' feedback, the ESF+ Regulation proposes that Member States meeting certain criteria allocate a minimum amount of resources to the policy challenges of **youth unemployment and assistance to the most deprived**.
- In order to address the need for **simplification and focus on the achievement of results,** the ESF+ Regulation will include simplified cost options for reimbursing Member States in the area of education. In addition, it will also make use of the option provided for in the new Financial Regulation to reimburse Member States on the basis of the achievement of results/conditions. Furthermore, monitoring and reporting requirements will be reduced, and data collection requirements will be simplified.
- **Stronger alignment with European semester process** is sought. EMPL proposes that the future Common Provisions Regulation (applicable to other shared management funds) and ESF+ Regulation require that the programming is streamlined with the European semester.

6.2 EGF

The broadened scope of the EGF: EGF Contact Persons and other stakeholders criticized that no other developments such as digitisation, for example, are eligible, even though

displaced workers face very similar challenges. It was also criticized that it is extremely hard, often near-impossible, to single out the specific reason that triggered a restructuring event. A lower threshold of 250 displaced workers: especially stakeholders from small Member States, and those from Member States with less densely populated areas, called for a lower threshold. Very large enterprises simply do not exist in many regions, but restructuring events involving a smaller number of redundancies have a very significant impact in those regions.

An EGF co-financing rate aligned with the ESF co-financing rate: especially stakeholders from regions with more favourable co-financing rates in the ESF criticized that despite the different design of the funds, the ESF might be used for EGF-type of measures due to the more favourable co-financing rates. Therefore, in the future, the EGF co-financing rate shall be aligned with the respective ESF+ co-financing rate in the Member State concerned.

Annex 3: Evaluation results

1. The European Social Fund (ESF) and Youth Employment Initiative (YEI)

Strengths

The 2000-2006[141] and 2007-2013 ESF ex-post evaluation[142] recognises ESF investment as relevant, efficient and effective. In particular, 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 in 2007-2013 and 2014-2020 and this has meant that resources were concentrated on relevant policy priorities.

As one of the structural funds, the ESF directly contributes to cohesion policy's goals of economic, social and territorial cohesion by increasing the concentration of resources and maintaining different co-financing rates for Member States.

The fund was effective in reaching a significant number of EU citizens, in particular those most in need of support (such as the low-skilled and unemployed). This was due to the fact that the ESF provided significant financial resources to address employment and social challenges in Member States (volume effects) and broadened existing action by supporting policy areas or groups that would not have otherwise received support (scope effects). Furthermore, The ESF has supported local/regional innovations that are then mainstreamed at national level and for the introduction of new ways in which various stakeholders can work together (role effects).[143]

Thus, the ESF's socio-economic impacts can be summarised as:

- at the micro level: large number of people participating in ESF activities, gaining employment, qualifications, skills and competences (including 'softer' skills such as behavioural changes). For example, at least 9.4 million Europeans found a job and 8.7 million people gained a qualification or certificate between 2007 and 2014 thanks to ESF support.[144]
- at the meso level: modernising, strengthening and widening the scope of public services such as active labour market policies but also education, judiciary and general administration.
- at the macro level: effects on GDP and productivity, employment, unemployment and participation, early school leaving rates. While at macro level it is difficult to prove causality, the evidence allows to conclude that the ESF did contribute to strengthen economic and social cohesion.

[141] http://ec.europa.eu/social/BlobServlet?docId=16861&langId=en.
[142] *Ex-post evaluation of the 2007-2013 ESF Programmes*, Commission Staff Working Document (SWD(2016)452 final, 12.12.2016)
[143] *Ibid*
[144] *Ibid*

The ESF also played a significant role in mitigating the negative effects of the economic crisis (notably in 'convergence' regions) and responded effectively to emerging social and employment challenges.[145]

Achieving for the first time an earmarked minimum share of ESF within the cohesion policy budget heading for the programming period 2014-2020 ensured that at least 23.1% of cohesion policy is dedicated to investing in people. This share has been exceeded as the ESF corresponds to 24.8% of cohesion policy funding programmed by Member States. Moreover, Member States had to invest at least 20% of ESF resources for social inclusion. This requirement has also been exceeded since Member States have programmed 25.6% of ESF resources for measures linked to social inclusion.

Furthermore, the current requirement to focus on a limited number of investment priorities, including specific objectives for which result indicators are defined in advance, has increased the targeting of investment.

The introduction of thematic and general *ex-ante* conditionalities in 2014-2020 contributed to creating the necessary structures for effective implementation of the ESF programmes and initiated reforms and changes in a number of Member States that otherwise would not have happened (like for example in the case of modernising the PES or with regard to the DI process).[146]

Furthermore, making the partnership principle mandatory in order to enhance the involvement and capacity of all actors, being from the public or private sector, NGOs or social partners, to work together has strengthened the implementation of the ESF programmes.

Ex-post evaluations show that overall the largest importance of ESF may be seen in contributing towards active labour market policies, helping to support provision of services by labour market institutions such as public employment services that help large number of unemployed or those at risk of unemployment to gain a job (or a better job). Evidence points that for these activities to be successful they need to incorporate know how of institutions working with target groups by providing support adapted to the personal situations combining work based learning, wage incentives and other measures. Respondents to the public consultation conducted in the framework of the 2007-2013 e*x-post* evaluation identify that unemployed (68%), long term unemployed (57%) along with the young people (66%) are the target groups that would have not received assistance in the absence of ESF or would be covered to a lesser degree, confirming the perceived importance of interventions in this field.

In addition to the mainstream access to employment measures, interventions in the social inclusion field are often set with the objective of inclusion in the labour market. As such operations most often target persons at a greater distance from the labour market, facing multiple challenges and requiring more systemic and coordinated pathway approaches with follow-up activities.

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[145] *Ibid*

[146] Study on the implementation of the provisions in relation to the *ex-ante* conditionalities during the programming phase of the ESI funds, European Commission (July 2016);

Education, training and institutional capacity interventions are more important for convergence regions. The ESF helped a large variety of operations in the education and training field, starting from early childhood education continuing to schools, vocational education, research and lifelong learning activities. Stakeholders responding to the 2007-2013 pubic consultation saw obtaining a qualification as a main benefit for ESF participants. Investment in education and training often take long time to materialize thus necessitating an extensive coordination among stakeholders to ensure a continuously relevant offer. Evaluations also demonstrate that improved health is one of the effects of interventions co-financed by ESF. These effects have been both direct, especially in investments supporting access to high quality services or support to more vulnerable groups facing health challenges, and indirect, when support primarily fostering different objectives produced spill over effects.

Support to institutional capacity building and public administration reforms is seen as especially important given the overarching role of good governance for achieving convergence. ESF interventions in 2007-2013 helped to fund reforms in areas such as healthcare, judiciary, better policy decision-making and e-governance. However, continued support and political commitment to change is critical for actions in this area given their multiannual character.

The ESF has provided a critical mass of funding for policy reforms in a number of Member States by modernising, strengthening and widening the scope of public services implementing active labour market policies but also education, judiciary and general administration.[147] Good governance is in particular seen as having a critical role in ensuring economic and social convergence[148] of lagging regions. The ESF is for example instrumental in helping to reduce administrative burdens and costs for citizens and businesses, reducing the length of judicial proceedings and making services more accessible.[149]

Available data from the 2014-2020 period show that significant progress was lately made in the field of financial instruments, with the number of financial instruments financed by the ESF increased at the end of 2016 from 7 to 23, and an OP amount committed to financial instruments of EUR 418 million (compared to EUR 282 million as of the end of 2015). In 2014-2020, an improved regulatory framework and extended support activities provided ground for a limited but real increase in the role that FIs can play for achieving the goals of the ESF, with the objective to increase the use of FIs under the ESF in terms of budget, territorial coverage and types of investment.

Weaknesses

[147] *Ex-post evaluation of the 2007-2013 ESF Programmes*, Commission Staff Working Document (SWD(2016)452 final, 12.12.2016)
[148] *Sixth report on economic, social and territorial convergence*, European Commission (2014)
[149] *Ex-post evaluation of the 2007-2013 ESF Programmes*, Commission Staff Working Document (SWD(2016)452 final, 12.12.2016)

Evaluations and stakeholder consultations have also highlighted key lessons for improvements in the ESF and thus, for increasing its added value. They are summarised below.

Policy alignment: while the Fund's link to EU level policy priorities and economic governance in the context of the European Semester has improved significantly in the 2014-2020 programming period[150], it is not yet optimal. Evidence shows that country-specific recommendations (CSRs), proposed by the Commission as part of the European Semester in 2012-2015, as well as other structural challenges identified in the Commission country reports and in the memoranda of understanding were taken up in the ESF's programming, and that the Fund contributes to implementing these reforms. However rules linked to the allocation mechanism and the territorial implementation of the ESF hamper a coherent alignment with the policies supported. Past programming periods have shown that flexibility, which is a main element to ensure the Fund's alignment with changing policy priorities (e.g. in reprogramming), has proven insufficient. In particular, the amendment process of programmes results to be very burdensome.

Programming: evidence showed that in 2007-2013 the OP architecture was defined too broadly and the output and result indicators were not always clearly aligned with the strategic objectives in the priority axes. In 2014-2020 result orientation was strengthened but the performance framework introduced in the current programming period has so far not proved to be a sufficient performance incentive for Member States. Furthermore, programming requirements have been criticised for being excessively administratively burdensome.[151]

Target groups: over the 2007-2013 programming period the share of the disadvantaged participants among all participants decreased, while the share of young and older remained stable (despite special initiatives such as youth action teams and challenges posed by aging society). These trends suggest that without reinforced focus on disadvantaged, young and older people and gender balance the fund cannot be successful in reaching key target groups. The method of earmarking a certain percentage for disadvantaged groups (at least 20% of expenditure for social inclusion activates over the 2014-2020 period) thus preserves their continued coverage.

Programme implementation: studies show that despite some progress ESF management and delivery remains too complex and the shift from a logic based on inputs towards one based on results, while it has improved in 2014-2020, has not fully taken place. Reimbursement based on real costs, territorial principles, designation of authorities, the programming architecture, including multi-fund programmes, and audit rules have contributed to this complexity.[152] These complex implementation rules ultimately result in delays in the starting of the implementation of programmes. Although progressive

[150] Study on the support of ESI Funds to the implementation of the Country Specific Recommendations and to structural reforms in Member States.
[151] 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.
[152] *Ibid*

simplification measures were introduced in 2007-2013, the overall level of uptake remains low. The mandatory use of simplified cost options (SCOs) for projects up to EUR 50 000 (Article 14 of the ESF Regulation) in 2014-2020 has proved to be a step in the right direction. However insufficient legal certainty is a main cause of Managing Authorities' concerns that prevent the widespread adoption of SCOs. In addition, concerns arise from potential multiple audits. [153] Finally, evaluations underline the need for capacity building, training and mentoring of implementing bodies (particularly among stakeholders new to the ESF) especially as new rules are introduced.

Framework for monitoring and evaluation: lessons from 2007-2013 programming period advise to develop more robust definition of the objectives for the various priorities supported by clear and measurable baselines, milestones and targets. Some of these lessons have been taken already on board in the 2014-2020 programming period. Notably, the use of common indicators has been expanded in order to improve (1) the monitoring of progress on outputs and results after the interventions, (2) the evaluation of the latter's effectiveness and sustainability (long-term results/impact) and (3) aggregation data at EU level.

The specific objectives are more clearly linked to output and result indicators capturing the anticipated change (intervention logic). Results targets and milestones in the OPs are defined in relation to baseline values. Member States should present periodically progress towards achieving the objectives of the programme and its contribution to implementing the Union strategy for smart, sustainable and inclusive growth.[154]

A specific evaluation framework is required for disadvantaged groups with multiple problems. The traditional approach probably underestimates the total benefits to society resulting from the measures. There is a need for capturing ‘soft’ results. The latter were not considered in the common monitoring framework for 2014-2020, but the Commission should encourage Member States to use them, in particular for the purpose of impact evaluations.

Social innovation: The ongoing ESF thematic study on social innovation finds that the uptake of social experimentation promoted by EaSI has been limited. Member Sates have allocated less than EUR 1 billion to social innovation, although most plan or implement actions relevant to social innovation. The study also reveals a need for more financial resources dedicated to social innovation, together with enhanced capacity building and simpler administrative procedures.

<u>The Youth Employment Initiative (YEI)</u>

Strengths

Alongside ESF-funded actions to support youth employment, the funding under the **YEI** has provided important policy and funding implementation lessons in particular through its targeted focus on policy level. Through its support to young people not in

[153] *Ex-post evaluation of the 2007-2013 ESF Programmes*, Commission Staff Working Document (SWD(2016)452 final, 12.12.2016), Section 6.3.
[154] Article 50(5) Common Provisions Regulation (EU) No 1303/2013

employment, education or training (NEETs) in specific EU regions the YEI has increased both the visibility of youth employment policies but has also acted as a driver for 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 Initiative is of critical importance for the coverage and design of employment policy in their country. Expanding the ESF's scope, the YEI supports youth through more targeted and tailor-made actions, including employment pathways based on an individual assessment. Thanks to the YEI, in 2017, at least 1.7 million young people have participated in projects that boost their skills or allow them to have a working experience.[155] What is more, the Commission has provided guidance to Member States urging them to design measures that are tailored to the needs of the different groups of population targeted by the YEI.[156] Indeed, the YEI has stimulated public authorities to be more innovative and to put the focus increasingly on ensuring individualised approaches as regards youth employment measures.[157] In addition, the common result indicators for the YEI have been instrumental in demonstrating the aggregated achievements of the funding provided for the target group and have been widely praised for enabling a concrete and direct link between funding and results.

Weaknesses

The main challenges for the YEI refer to its peculiar financial management modalities (being funded from two funding sources – the YEI and ESF allocations) as well as the additional reporting requirements for YEI (common indicators ESF + YEI result indicators). These elements and in particular reporting requirements have been perceived by beneficiaries and implementing authorities as increasing the administrative burden.[158] In addition, the definition at national level of the NEET target group has posed difficulties in a number of Member States in view of audit requirements. Due to the overall programming requirements stemming from the rules applicable to the ESIF, YEI implementation could not start as swiftly as desired. YEI has been more successful in supporting better educated and short-term unemployed young people and less effective in targeting the inactive NEETs.[159] It has been noted that additional efforts should be made for youth employment actions to support young people that are furthest away from education, training and employment as well as to increase the overall quality of the job and training offers funded by the YEI in the context of youth guarantee schemes.[160]

2. FEAD

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[155] *Seventh Report on Economic, Social and Territorial Cohesion,* European Commission (2017), http://ec.europa.eu/regional_policy/en/information/cohesion-report/

[156] http://ec.europa.eu/esf/BlobServlet?docId=457&langId=en

[157] European Parliament, Committee on Employment and Social Affairs, Report on the implementation of the Youth Employment Initiative in the Member States (2017/2039(INI)) http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2017-0406+0+DOC+XML+V0//EN.

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

[159] *The Youth Guarantee and the Youth Employment Initiative three years on*, European Commission (2016), SWD(2016) 323 final

[160] European Court of Auditors (2017), Special report No 5/2017: Youth unemployment – have EU policies made a difference? , available at: https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=41096.

Strengths

Preliminary results of the mid-term evaluation of the FEAD, including results of stakeholder consultations[161], indicate that the supported food, material aid and social inclusion measures make a difference to the most deprived, including those who otherwise may be left out by mainstream social assistance or who need immediate support With reference to national schemes it plays both a complementary and supporting role, most notably by filling "social assistance gaps", e.g. in in those Member States that do not have national non-financial assistance programmes or where these do not cover the full spectre of most deprived. This is especially true of families with children, homeless people and people who are not reached by public services such as undocumented migrants, to whom FEAD provides information about key services. For the older generation with minimum levels of income and who do not have access to the labour market, also FEAD helps find solutions.

FEAD entails certain flexibility to adapt to the changing needs and emergencies by introducing changes to the delivery modes, the content of the aid and the targeting. In addition, FEAD OPs have proved relatively flexible with regards to types of food and items distributed, adapting them in response to feedback from end recipients.

In addition to food and material assistance, FEAD offers a full range of services for the most deprived through the provision of accompanying measures that represent an important step towards poverty reduction, notably if end recipients use them to access social services and get further support that can lift them out of poverty.

The fact that a common Managing Authority MA to the ESF and FEAD programmes has been established in some Member States positively facilitates coordination between ESF and FEAD and prevents situations of double funding.

Evidence points to the importance of partnerships and knowledge sharing both among institutions, partner organisations and social services, as well as across different partner organisations. The FEAD Network[162] launched in September 2016 plays an important role in supporting mutual learning at EU level, through networking and dissemination of good practices in the area of non-financial assistance to the most deprived persons.

Weaknesses

A number of difficulties in the implementation of FEAD are associated either with the EU regulatory framework and its interpretation or with national requirements, namely delays in the start-up phase of the programme and administrative obstacles mostly linked to national procurement policies and to additional requirements such as *inter alia* recording data/information on operations and end recipients for monitoring purposes, lengthy documentation procedures and instructions and excessive procedures for the certification of end recipients.

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

[162] http://ec.europa.eu/social/main.jsp?catId=1207&langId=en

Similarly, defining a too narrow and restrictive list of eligibility criteria for the end-beneficiaries creates burden on the partner organizations, excludes those who do not have access to the social system and does not permit prompt responses to emergencies.

A unique feature of FEAD relies on its delivery mode through partner organisations. However, these organizations are mostly NGOs based on volunteers who often lack the capacity to cope with the administrative burden that FEAD's implementation entails and this may result in serious delays in the introduction of payment claims to the Commission and hence to loss of resources.

Stakeholders state that food and material aid through FEAD alone is not sufficient to lift end recipients out of poverty. Conversely, it was noted that Member States implementing only social inclusion activities under FEAD see a need to also deliver material aid in order to alleviate immediate needs of the end recipients. This is not however possible under the current OP differentiation. The absence of interaction between FEAD and ESF does not allow complementing the tangible aid provided to the most deprived through FEAD with social support and professional activation through ESF in order to sustainably end the poverty situation.

3. EGF

The EGF had been subject to several evaluations and studies, the most recent being the ex-post evaluation of the EGF 2007-2013, a European Court of Auditors special report on the EU value added of the EGF 2007-2013, the European Parliament's European Implementation Assessment of the EGF 2007-2014 and the mid-term evaluation of the EGF 2014-2020.[163]

The reports on the former programming period confirmed the EU value added of the EGF by delivering assistance to the most vulnerable dismissed workers which they otherwise would not have received, and resulting in re-integration rates higher than identified comparators. Some recommendations have been made, most of which had been incorporated into the design of the EGF 2014-2020.

Furthermore, the EGF mid-term evaluation 2014-2020 was finalised on 16.5.2018. The stakeholder consultations carried out comprised internet-based open public consultations, the organisation of a networking seminar with EGF stakeholders, and of targeted consultations (interviews with EGF-Team, national Contact Persons, delivery partners, beneficiaries).

Due to the limited number of cases approved and implemented since 2014, the results of the evaluation still have to be taken with caution.

Strengths

[163] The EGF mid-term evaluation was subject to scrutiny by the RSB. The RSB has issued a negative opinion on the draft SWD. The RSB's comments have been taken into account to the extent possible (see Annex I of the SWD on the EGF mid-term evaluation, SWD(2018)192 final, 16.5.2018).

The results of the mid-term evaluation show that the EGF generated EU added value. This is particularly true in terms of its volume effects, meaning that EGF assistance not only increases the number and variety of services offered, but also their level of intensity. EGF measures are always offered on top of regular national measures and/or intensifying them. No displacement effects were observed at case level. The help offered would otherwise not have been available. This is a clear sign of the complementarity and additionality of EGF measures.

The unique combination of tailored measures that EGF offered to beneficiaries led to more sustainable results, beneficiaries increased self-esteem and as a result had a more proactive approach in job seeking. In addition, beneficiaries focused on transversal knowledge, skills and competences that are relevant to a broad range of occupations and sectors (i.e. language skills or digital competences). Therefore, its employability improved significantly.

Concerning the NEETs derogation no conclusive judgement seems possible. Even though not all Member States eligible made use of the derogation, evidence shows that wherever it has been used, the help has been picked up to a very high degree by the young people targeted, a type of help they would otherwise not have received. The inclusion of NEETs generated process effects by creating entirely new partnerships with partners that worked more closely with young people and consequently influencing on national policy choices.

On an institutional level, the use of EGF assistance fosters the development of a general delivery mechanism of restructuring assistance in Member States with little experience in dealing with mass redundancies. In Member States that can already build on a wealth of experience and delivery mechanisms in place, the EGF serves as a tool to test innovative measures, which could later be incorporated into regular assistance.

Weaknesses

The mobilisation of assistance offered to workers made redundant can either be justified by showing that redundancies occurred as a consequence of 'globalisation' or the 'financial and economic crisis'. However, neither of the two terms has been clearly defined in the EGF Regulation. Evidence shows that Member States are often ambivalent as whether to submit an application under one criterion or the other, and then choose the one they can substantiate best. In general, the lack of definitions can be perceived as offering certain flexibility, but also as leaving grey areas of uncertainty. Finding the right evidence to justify a case is a major challenge and frequently keeps Member States from applying.

Even though smaller redundancy cases could be eligible under a derogation clause, Member States are not certain how to show that redundancies are likely to have a significant impact, as this impact is also not further defined by the Regulation. Institutional and financial capacity problems during both the application and implementation phases are a further obstacle Member States face when deciding on a possible application.

As for the *efficiency* of the assistance mobilised, the length of procedures during the decision-making process has been criticised. This does not only relate to the application stage, but also to the actual mobilisation of funds. As the EGF is operating outside the

MFF ceilings, a full budgetary procedure, involving the European Parliament and the Council, is needed in order to mobilise the funds for EGF assistance. All stages of the application and mobilisation procedure would therefore require streamlining. More efforts are needed to ensure the *coherence* of funding. On the one hand, no overlaps with other EU or national funding could be identified at case level. On the other hand, an integrated approach could at best be observed in the interplay of national funding and EGF. No integrated approach to EGF and other EU funding was observed at case level. At instrumental level, no direct overlap in the design of the instruments could be identified, but there is evidence of an overlapping use of the instruments, e.g. the use of ESF for short-term relief measures that are targeted by EGF (in a few Member States, in particular those with absorption problems regarding the ESF, a short-term re-programming of the ESF was possible). In general, the use of the EGF could be better coordinated with the recommendations set out in the EU Quality Framework for anticipation of change and restructuring (QFR).As for the *relevance* of EGF funding, particularly those stakeholders with experience in the delivery of EGF measures questioned whether the EGF was the right channel to deliver assistance to NEETs. To a far smaller but still significant degree, the crisis criterion was regarded as not relevant anymore. In the light of changes in how globalisation works, the increasing interconnectedness of world economies and increasing development of global value chains are likely to further increase the relevance of the globalisation criterion, but will also make it harder to substantiate it. Considering the difficulties in evidencing applications, it is clear that the EGF could be mobilised far quicker if the background analyses currently required to argue for either the globalisation or the crisis criterion wasn't necessary (which would be the case if all major restructuring events were eligible). The EGF would then correspond better to its function as an emergency relief instrument. Several needs that arise through other recent economic developments, for example structural changes due to automation, are currently not covered.

4. EaSI

This section takes stock of the programme's mid-term evaluation and stakeholder consultations' key findings across its strengths and weaknesses**.**

Strengths

The mid-term evaluation shows EaSI original rationale - its general and specific objectives - are still pertinent in particular in light of the current challenging socio-economic context characterised by the aftermath of the financial and economic crisis, with positive but slow recovery. The programme's objectives are also highly relevant in light of the recent political events likely to impact the EU in the coming years. For instance, with a large influx of migrants, the share of vulnerable people has significantly increased, making the successful integration of these persons one of the highest priorities across the EU in the next couple of years and an important challenge for the society.

The evaluation presents evidence that - in 2014-2016 - the EaSI programme was generally effective in reaching the relevant stakeholders, generating outcomes and achieving its objectives.

EaSI was efficient and effective in contributing to raise awareness about EU policy inputs in the area of social inclusion and poverty reduction, to an improved perception of the cross-border potentials for employment, to a rapid testing and implementation of

innovative measures, to an increased access to microfinance loans and support for entrepreneurship. EaSI also facilitated policy change through dissemination of comparative and analytical knowledge, exchange and building capacity, mutual learning and dialogue, helping therefore different stakeholders to influence the formulation and implementation of socio-economic policies in the programme's participating countries.

Regarding the programme's internal coherence, the evaluation findings showed that a series of policy evidence, information sharing and mutual learning activities funded under PROGRESS axis complement the two other axes and contribute to their effectiveness.

Regarding external coherence with other EU programmes, the evaluation indicated that EaSI is mostly coherent with ESF. As regards the EaSI axes, PROGRESS shows also complementarity with other EU programmes such as Erasmus+, Horizon 2020 and COSME in terms of specific objectives, activities and beneficiaries. Complementarity between EURES and the European Territorial Co-operation programme (Interreg) was also found. The Microfinance/Social Entrepreneurship axis is also coherent and complementary with other microfinance instruments at the EU-level, which either support SMEs (like the COSME financial guarantee) or companies up to large caps (InnovFin) and offer larger financing amounts (InnovFin and COSME). In addition, the Microfinance/Social Entrepreneurship axis ensures a wide geographic coverage across EU Member States and other participating countries.

The EaSI programme produced demonstrable EU added value compared to national and regional level support in terms of scope and scale.

Another added value of EaSI comes from its transnational dimension, with few other equivalents in the programme's participating countries in terms of scale and scope. The evidence gathered reveals that EaSI is able to support cross-border projects with a larger scope compared to what is possible at national level; indeed, no other programme integrates building cooperation links across borders, while delivering services and information to facilitate mobility. Also, EaSI contributes to build EU-level networks and produces comparative analysis that are not prioritised at other governance levels, such as multi-country databases, studies, statistics, social policy experimentations, capacity building and mutual learning activities. Moreover, EaSI appears to fill a clear gap in the supply of microfinance loans and support to social entrepreneurship in the programme's participating countries. Overall, the work carried out under EaSI programme extends beyond the management of the financial instruments and impulses a variety of measures to develop an eco-system for social finance markets, for example through grants to develop both the supply and demand side of social enterprise finance, but also through technical assistance and non-financial initiatives such as the 'Code of Good Conduct for microcredit provision', which helps to raise standards in the microfinance sector.

Overall, no major overlaps between the objectives of EaSI and the objectives of national or EU-level instruments/programmes were identified during the mid-term evaluation. In particular the open public consultation highlights a significant consensus among stakeholders on the importance to maintain each type of instruments at EU level even where minor overlaps are identified with the national programmes. The evaluation also shows that the EaSI programme’s added value compared to what could be achieved by Member States at national, regional and local levels is undeniable.

EaSI appears as unique as not the single EU-level programme that integrates the access to high-quality comparative analytical knowledge (like studies, databases, methodologies), the exchange of good practices and mutual learning activities, social policy innovations testing, a overall better job matching and placement thanks to the combined effect of the online platform matching capabilities (the EURES job portal) and the roll out of targeted placement services for respectively young workers (e.g. the 'Your first EURES Job' scheme) and frontier workers under the cross-border partnerships, the support provided to social enterprises as well the provision of loans to microenterprises, in particular those employing vulnerable groups. EaSI support also fulfilled a vital function by facilitating the EU-level ONGs networking and the team building of stakeholders across the programme's participating countries.

Such findings converge towards suggesting that thanks to the EaSI programme, more relevant projects were supported compared to what was possible only through the national or other EU funding.

One central approach being promoted in the current EaSI programme is social policy experimentation, considered as a pilot to test proposed changes to social policies or new reforms. Very often government programmes in the field of social policy suffer from a lack of robust evidence on what works and what does not work. Social policy experimentations help avoiding costs of launching untested programs that may fail, serve as source of inspiration for policymakers finding comprehensive responses to particular social problems and support policy decisions resulting in policies being adopted that otherwise would not be. Subsequently, the successful innovations tested under EaSI could be up-scaled or mainstreamed by either national or EU funding.

Weaknesses

Despite its continuing relevance, more could be done to improve the EaSI relevance and impacts in the next programming period. Several areas for improvement of programme's effectiveness were identified across the axes.

The PROGRESS axis should improve the efforts on the delivery of social policy experimentations by revising the procedures for evaluation and selection of projects and by creating the conditions for their scaling up. Moreover, the issue of co-financing has to be clarified, as it is not always clear for applicants to calls for proposals whether it should be in labour costs or in actual monetary value.

For EURES, considering a longer implementation period (minimum two years) combined with measures for reducing the administrative burden related to the call management might enable stakeholders to properly develop, implement, measure the effectiveness and ensure the sustainability of projects.

Regarding the Microfinance/Social Entrepreneurship axis, the overwhelming demand for the EaSI guarantee instrument has put pressure on its budget. As two-third of the allocated amount for the instrument were used already after one year, the EaSI third axis will run out of funds before 2020, suggesting that its initial allocated budget is too small. Introducing more flexibility in the resource allocation across the axes (instead of the current indicative percentages) would allow more room for manoeuver in the transfer of budgets between axes when needed. This greater flexibility in terms of resource allocation would be beneficial in particular for the Microfinance/Social Entrepreneurship

axis strong demand. Indeed, the evaluation pointed out that the consequence of instituting indicative percentages for each axis was that budgets cannot be easily moved to the axis with the higher demand (and, thus, ensuring a faster deployment of funds). Overall, a more flexible re-allocation between the three axes should be enabled in order to minimize discrepancies between planned and actual commitments, and ensure an optimal transfer of budgets between axes according to needs.

The aim of regrouping the three axes under one umbrella programme was to achieve greater policy coherence, and more effective delivery and management. The different data collected - in particular through the stakeholders' consultation, beneficiaries survey and interviews - suggest that, despite the efforts to reinforce synergies between the three axes - they operate rather independently. A stronger focus on the potential benefits that could emerge from a coherent programme's structure promoting interdisciplinary solutions to multiple challenges should be put. The mid-term evaluation shows that the ambitions and wide thematic scope of the EaSI programme exceed what the budget allows for. The current funding structure of EaSI - with a relatively rigid allocation between and within axes - lacks flexibility to adjust swiftly and efficiently to emerging priorities. Although this recommendation was already being considered in the context of the ’Omnibus’ Regulation in 2017, more flexibility - even a total flexibility between axes - would permit more room for manoeuver in the transfer of budgets between axes when needed. The axes as such and indicative minimum shares per axis/thematic section within each axis will not be applied within ESF+. This will allow an optimal transfer of budgets between the priorities according to the needs, as well as reinforce synergies between activities.

Despite the complementarities between EaSI and other EU-level instruments (see section on "Strengths" above), further coherence is hampered by the different interventions logics and rules governing these funds. Specific mechanisms should be put in place in order to facilitate the synergies between different EU funds, for instance a mechanism permitting the scaling up or multiplication of the social experimentations tested under EaSI within ESF funding. Thus, recognising that the co-existence of different rule-books (Financial Regulation for financial instruments on one hand, and the Common Provisions Regulations for shared management funds on the other hand) makes it challenging to tap into complementarities between different funds. A streamlining of rules could help to maximise the potential of such complementarities and synergies.

Continuous efforts are necessary mainly in terms of communication on EaSI activities and dissemination of its results. Indeed, stakeholders are eager to receive further information and feel that through a better dissemination they could gain great benefit through, in particular, country specific examples and good practices, updated websites and databases, expanding the languages for communication and making the contents more accessible to a broad audience.

Annex 4: Synergies and coherence between the ESF+ and other Funds investing in human capital development

ESF+ and ERDF: as the ESF+ and ERDF share the objective of economic and social cohesion, coordination between them on the basis of common rules for shared management funds in certain areas such as programming and financial management (in the future Common Provisions Regulation) will remain key in the pos-2020 programming period. There is significant scope for taking further the simplification mechanisms in the new 'Omnibus' Regulation[164] and building on lessons learned as regards incentivising the results-orientation of ESI Funds in general. ESF+ programmes should be in principle mono-fund programmes (to address the shortcomings of multi-fund programming that have been identified[165]) and Member States will be able to use multi-fund programmes only where justified. Common rules should continue to allow investments combining complementary aspects such as investment in people (ESF+) and in social infrastructure (ERDF).

ESF+ and Erasmus: the aims of today's ESF have much more in common with the objectives of other funds investing in people, such as Erasmus+, than those of the ERDF and the Cohesion Fun. While it is possible now to use ESF and Erasmus+ in a complementary manner, some aspects (such as their management modes) are not conducive to coordinated responses unless specific mechanisms are put in place. Various operational arrangements will be put forward. The ESF+ and Erasmus regulations will include suitable provisions, to be worked out in detail in work programmes and programme guides. The following measures could be envisaged: the participation of Erasmus national agencies in the design of relevant ESF+ actions. This could result in the upscaling of successful Erasmus cooperation projects, just as social experimentation under EaSI (and other human capital funds) could be mainstreamed into shared management activities. The establishment of SCOs (at EU or national level) would make it easier for Member States to top up Erasmus measures, e.g. to make Erasmus mobility more inclusive and accessible to learners from low-income families, Member States could programme a top-up of Erasmus mobility by an additional amount/rate applicable to a specific country. In addition, Erasmus national agencies could where relevant play a role as grant beneficiaries in the implementation of transnational cooperation under the ESF+. To boost investment in European University Networks, ESF+ could be used to provide additional support to universities which are partners of such networks or to VET centres for excellence financed under Erasmus.

ESF+ and AMIF: the longer-term integration of migrants will continue to be supported under the ESF+, while the AMIF will cover short-term needs. A common set of rules applying to all shared management funds will help to increase synergies between the AMIF and ESF+, especially as regards programming, implementation, monitoring and control. SCOs will be developed under the ESF+ to finance measures targeting migrants.

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[164] 'Omnibus' Regulation, status March 2018: agreed by the co-legislators but still undergoing revision by the lawyer-linguists, planned adoption June 2018

[165] See study to support the impact assessment of human capital investments, DG EMPL, ongoing

Eligibility rules should not change substantially, so individuals would be eligible for ESF+ measures under the same terms as any other participants, provided this is legally allowed by the Member States. .

ESF+ and InvestEU Fund: part of the EaSI programme (the FI under the EaSI microfinance and social entrepreneurship axis) will be grouped with other FIs under the InvestEU Fund[166] while the current activities relating to the EURES portal will be transferred to the European Labour Agency (the future DG EMPL agency). ESF+ will continue to support the development of social enterprise finance and microfinance markets with complementary activities, such as: capacity-building for microfinance and social enterprise finance providers including through technical assistance, upholding high ethical lending standards such as the European Code of Good Conduct for microcredit provision, and providing grant support to build up the nascent market ecosystem, including through blending. This involves combing grants from both shared and (in)direct ESF+ strands with financial instruments from the InvestEU Fund, in order to reduce transaction costs and support non-financial or business development services for entrepreneurs, including vulnerable groups. The EU-level market development efforts and FIs should also be reinforced by the FIs implemented under shared management.

ESF+ and Horizon Europe: 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). On the one hand, the future ESF+ can upscale the implementation and adaption to local needs of innovative curricula for education and training programmes and new innovative delivery modes (such as e-learning and blended learning) with high labour-market relevance. On the other hand, as the ESF+ can support the capacity-building and career development of teachers and researchers, it could finance holders of FP seal of excellence awards[167] whom the FP has not been able to support (due to a lack of sufficient funding). While it is already possible in the current programming period to use ESF and Horizon Europe-MSCA[168] in a complementary manner, the ESF+ and Horizon Europe-MSC regulations could further facilitate synergies and complementarities on the ground through adequate operational modalities.

ESF+ and the Digital Europe Programme: The advanced skills part of the Digital Europe Programme complements the ESF+'s wide approach to digital skills, which starts from basic skills but can cover other skills levels as well. The Digital Europe Programme will have a strong focus on advanced digital skills needed for the deployment of cutting-edge technologies such as artificial intelligence or high-performance computing.

ESF+ and the future Reform Support Programme (including financial support instrument for reforms): The RSP will be implemented through direct management upon a voluntary reform commitment by Member States. The Commission will disburse funding based on

[166] https://europa.eu/investeu/home_en
[167] The Seal of Excellence is currently awarded to above-quality threshold, unfunded proposals who applied to the SME Instrument, Marie Skłodowska-Curie actions (MSCA) Individual Fellowships or Teaming under the Horizon 2020 programme.
[168] Marie Skłodowska-Curie actions (MSCA)

completion of reform. This instrument will be complementary to the existing instruments which link ESIF with the European Semester and country-specific recommendations.

Other funds under shared management:

As common rules for the funds under shared management will be applicable not only to the ESF+ and ERDF but also other funds (such as AMIF and EMFF), the legislative framework will be streamlined. As regards the EAFRD, to ensure the achievement of the objectives defined under article 174 of the Treaty[169] it will continue to support social inclusion, poverty reduction and economic development in rural areas, in complementarity with the ESF+.

[169] Article 174 TFEU refers to reducing disparities between the levels of development of various regions, with a particular attention, among others, to rural areas

Annex 5 Programme specific annex on the Health programme

Glossary

Term or acronym	*Meaning or definition*
AMR	Antimicrobial Resistance
AWP	Annual Work Programmes
CHAFEA	Consumers, Health, Agriculture and Food Executive Agency
CNCT	Directorate-General for Communications Networks, Content and Technology
COMP	Directorate-General for Competition
DG Home	Directorate-General for Migration and Home Affairs
DG RTD	Directorate-General for Research and Innovation
DIGIT	Directorate-General for Informatics
ECDC	European Centre for Disease Prevention and Control
EFSA	European Food Safety Authority
EMA	European Medicines Agency
ESTAT	Eurostat
EU	European Union
FISMA	Directorate-General for Financial Stability, Financial Services and Capital Markets Union
GNI	Gross national income
GROW	Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
JUST	Directorate-General for Justice and Consumers
MAP	Multi-Annual Planning

MS	Member States
OECD	Organisation for Economic Co-operation and Development
R&D	Research and development
SANTE	Directorate General for Health and Food Safety
SoHO	Substances of Human Origin
SRSS	Structural Reform Support Service
TFEU	Treaty on the Functioning of the European Union
UN	United Nations
WHO	World Health Organization
Budget line	A Budget line is a graphical representation of all possible combinations of two goods which can be purchased with given income and prices, such that the cost of each of these combinations is equal to the money income of the consumer.
eHealth	Digital health and care is the collective term used to refer to tools and services that use information and communication technologies (ICTs) that can improve prevention, diagnosis, treatment, monitoring and management of health and lifestyle. Digital health and care has the potential to improve access to care, quality of care, and increase the efficiency of the health sector.
eHealth Network	The eHealth Network is a voluntary network, set up under article 14 of Directive 2011/24/EU. It provides a platform of Member States' competent authorities dealing with eHealth. The Joint Action supporting the eHealth Network (JAseHN) provides scientific and technical support to the Network.
European Cancer Information System (ECIS)	ECIS provides the latest information on indicators that quantify cancer-burden across Europe. It permits the exploration of geographical patterns and temporal trends of incidence, mortality and survival data across Europe for the major cancer entities. The purpose of the web-application is to support research as well as public-health decision-making in the field of cancer and to serve as a point of reference and information for European citizens.
European Innovation Partnership on Active and Healthy Ageing	The European Innovation Partnership in Active and Healthy Ageing (EIP on AHA) is an initiative launched by the European Commission to foster innovation and digital transformation in the field of active and healthy

	ageing.
European Pharmacopoeia	The European Pharmacopoeia (Ph. Eur.) is Europe's legal and scientific benchmark for pharmacopoeial standards which contribute to delivering high quality medicines in Europe and beyond. The Ph. Eur. is applicable in 38 European countries and used in over 100 countries worldwide.
European Reference Network for rare disease	The European Reference Networks (ERNs) are virtual networks involving healthcare providers across Europe. They aim to facilitate discussion on complex or rare diseases and conditions that require highly specialised treatment, and concentrated knowledge and resources.
Health Technology Assessments	Health technology assessment (HTA) is a multidisciplinary process that summarises information about the medical, social, economic and ethical issues related to the use of a health technology in a systematic, transparent, unbiased, robust manner. Its aim is to inform the formulation of safe, effective, health policies that are patient focused and seek to achieve best value. (EUnetHTA)
National Focal Points	The National Focal Points (NFP) are the national experts for the Health Programme in member states and participating countries. NFP representatives are appointed by their national health ministries. (CHAFEA)
One Health Approach	One Health: is a term used to describe a principle which recognises that human and animal health are interconnected, that diseases are transmitted from humans to animals and vice versa and must therefore be tackled in both. The One Health approach also encompasses the environment, another link between humans and animals and likewise a potential source of new resistant microorganisms. This term is globally recognised, having been widely used in the EU and in the 2016 United Nations Political Declaration on AMR.
Scientific Committees set up in accordance with Commission Decision 2008/721/EC	2008/721/EC: Commission Decision of 5 August 2008 setting up an advisory structure of Scientific Committees and experts in the field of consumer safety, public health and the environment and repealing Decision 2004/210/EC
(Seven) EU added value criteria	The EU's supporting competence in public health means that action can only be justified if it adds value above and beyond what the Member States and other actors could achieve on their own. The seven EU added value criteria are enshrined in the Regulation (EU) 282/2014 establishing the 3rd Health programme (2014-2020)
State of Health in Europe cycle	The State of Health in the EU is a two-year initiative undertaken by the European Commission that provides policy makers, interest groups, and health practitioners with factual, comparative data and insights into health

	and health systems in EU countries. The cycle is developed in cooperation with the Organisation for Economic Co-operation and Development (OECD) and the European Observatory on Health Systems and Policies.
The 3rd Health programme (2014-2020)	The Third EU Health Programme (2014-2020) is the main instrument that the Commission uses to implement the EU Health Strategy. Annual work plans of the Programme set out priority areas and the criteria for its funding actions.

1. Introduction: Political and legal context

1.1 Scope and context

Health is a strategic component of growth for the Internal Market and an invaluable resource for the society. The Treaty of Lisbon has enhanced the importance of health policy, stipulating that “a high level of human health protection shall be ensured in the definition and implementation of all Community policies and activities” (Article 168 of TFEU). The EU has an important role to play in improving public health, preventing and managing diseases, mitigating sources of danger to human health, including by harmonising legislation on tobacco, medicinal products, medical devices, substances of human origin and patients' rights in cross-border healthcare, areas where health policies are directly linked with the Internal Market (Article 114 of TFEU).

More generally, the Treaty's health objectives are to be achieved through action intended to support Member States' policies and to foster cooperation and integrated work, since the primary responsibility for health protection and, in particular, for the operation of the healthcare systems continues to lie with the Member States.

National authorities acknowledge more and more the need to cooperate, use expertise and mutualise resources to respond to the cross-border and global dimension of health issues and also to fully develop and benefit from opportunities offered by the digital market, the rapid development of health technologies, the sharing and implementation of evidence-based best practices for achieving a "high level of human health protection", and aim to ensure healthy lives and promote well-being for all at all ages.

The EU has successfully implemented a comprehensive health policy, through the 3rd Health programme (2014-2020) by bringing together relevant stakeholders and Member States authorities to work on prioritised health issues. Through the Health Programme, the EU helps Member States to develop their initiatives at EU level for more cost-effective solutions to common health concerns, *e.g.* the establishment of European Reference Networks for rare diseases, the effective response to cross-border health threats as in the case of Ebola and Zika viruses outbreaks, the cancer screening guidelines, the joint Health Technology Assessments, etc.

1.2 Lessons learned from previous programmes

The mid-term evaluation of the 3rd Health Programme[170] concluded that the Programme has overall valid and appropriate objectives in place leading to actions which are relatively focused and generate EU added value while accommodating existing needs and challenges. The 3rd Health Programme, currently running will end in 2020.

Compared with previous health programmes, the 23 thematic priorities of the 3rd Health Programme are a positive development and facilitate synergies and coherent action. However, these could still be streamlined and focused even more. The structure in place has supported relevant actions, especially in fields where there is legislative clarity and/or a clear cross-border dimension. In non-legislative areas where action can be more open-ended or broadly defined, there is a danger of those actions being less focused.

The Annual Work Programmes (AWP) and Multi-Annual Planning (MAP) processes implementing the 3rd Health Programme work well. The MAP in particular has enabled a more strategic approach to medium-term planning. The AWP process is already clear, well-defined and impartial but to avoid confusion and ensure greater buy-in, the process needs to be better explained to stakeholders.

The mid-term evaluation shows that the exceptional utility criteria[171] for attracting participation from low gross national income (GNI) countries have not been sufficiently effective so far. However, despite the difficult economic context and the significant barrier of assuring the remaining co-financing, the programme is still attracting a similar level of participation from low GNI countries as in the previous programme. Additional improvements are needed, since securing co-funding is only one part of the explanation for lower participation.

The 3rd Health Programme has already delivered significant progress by, for instance, establishing European Reference Networks, adopting new legislation on Health Technology Assessment, and by supporting capacity building of Member States to respond to outbreaks and continuous updating of skills to take into account emergent issues such as the migrant crisis.

The allocation of resources in the 3rd Health Programme has been found to be efficient overall and the programme management has been mostly effective and has improved since the previous 2nd Health Programme 2008-2013. For instance, new indicators are in place for monitoring the health programme and its specific actions.

Nevertheless, there are inefficiencies and inadequacies with the monitoring of implementation data, which holds back the ability of programme managers to keep an

[170] See at https://ec.europa.eu/health/funding/programme/2014-2020/midterm_evaluation_en

[171] This allows for exceptional co-funding up to 80% to all participants in the action under specific criteria mentioned in the legal basis (Regulation (EC) N° 282/2014 , Article 7 (3) and in the Annual Work Programmes.

up-to-date overview of the programme's achievements. This will be appropriately addressed. While significant strides have been made to ramp up dissemination, going forward and delivering progress in this area must be prioritised.

Furthermore the ongoing health programme has already been increasing its ability to target important health needs where it can add value (e.g. antimicrobial resistance, e-health, accreditation schemes for breast cancer screening, etc.). The fact that the seven EU added value criteria are written into the regulation and are built into the proposal evaluation process are positive achievements allowing potential beneficiaries to appropriately consider EU added value when preparing their proposals and in turn, for assessment panels to take it into account as part of the decision to award funding. However, 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. This will make it easier to provide clear guidance of what the criteria mean and make it easier for them to be addressed more effectively.

The 3rd Health Programme has been found by the mid-term evaluation to be internally coherent, in part due to the revised structure of the programme. However, where the definition of action remains broad and ambitious, results are, harder to achieve. The 3rd Health Programme is also coherent with the Commission's policy priorities and has been shown to be an effective tool to respond to evolving needs.

Stakeholders participated in the mid-term evaluation through various consultations[172], including an open public consultation which covered aspects relating to the relevance, added value, efficiency, effectiveness, and coherence of the programme. This consultation engaged institutional stakeholders, notably the Programme Committee members and National Focal Points and grant beneficiaries. The stakeholders involved in the funded activities, especially non-governmental organisations, public health authorities, academic and research organisations, international organisations, professional associations, private companies and individual persons were also consulted through the open public consultation. In addition, targeted on-line consultations with public health experts and e-surveys with National Focal Points and Programme Committee members were conducted as part of the external evaluation study. These were complemented by targeted interviews of Commission and International Health Organisation officers, and grant recipients (beneficiaries), mainly project leaders and coordinators of actions funded under the Programme.

In the open public consultation Member States and EU stakeholders have declared an overwhelming support for EU health policies confirming that the cooperation in the area of health is essential and should be maintained (70%). The EU should continue

[172] The results of the consultation activities are presented in the Annex V of the SWD (2017) 331 final of 11.10.2017)

supporting important health-related challenges facing EU citizens, governments and health systems reflected in the formulation of the Programme's objectives.[173]

2. The objectives

2.1 Challenges for the programmes of the next MFF

The current Health Programme (2014-2020) is the third programme of EU action in the field of health, established by Regulation (EU) N° 282/2014[174]. With a budget of EUR 449.4 million over seven years, it is the Commission's main financial instrument to underpin and support EU health policy development. Designed to help inter alia Member States in investing in health, the programme contributes to the Europe 2020 objective of smart, sustainable and inclusive growth. The ongoing programme aims to complement, support and add value to the Member States policies, in terms of improving the health of EU citizens and reducing health inequalities. The specific objectives and their financial envelopes for the period 2014-2016 are the following:

1. promote health and healthy living and prevent diseases (€54.1 million; from which (€16.8 million in 2014, €12.7 million in 2015 and €24.6 million 2016);
2. protect Europeans from serious cross-border health threats (€11.1 million; from which €5.3 million 2014, €1.4 million in 2015 and €4.4 million 2016);
3. contribute to innovative, efficient and sustainable health systems (€52.1 million; from which €17.6 million in 2014, €25.2 million in 2015 and €9.3 million 2016); and
4. facilitate access to better and safer healthcare for Europeans (€31.3 million; from which €10.5 million in 2014, €6.2 million in 2015 and €14.6 million 2016); horizontal activities (€17.3 million; from which €3.7 million in 2014, €10 million in 2015 and €3.6 million 2016).

   A total budget of €100 million remains to be spent until the end of the current financial EU framework.

These four objectives are currently served by 23 thematic priorities, listed in Annex I to Regulation (EC) N° 282/2014:

Objective 1: Promote health, prevent disease and foster supportive environments for healthy lifestyles

1.1. Risk factors such as use of tobacco and passive smoking, harmful use of alcohol, unhealthy dietary habits and physical inactivity
1.2. Drugs-related health damage, including information and prevention
1.3. HIV / AIDS, tuberculosis and hepatitis

[173] The results of the Open Public Consultation are publicly available on: https://ec.europa.eu/health/funding/consultations/midterm_evaluation_en
[174] OJ L86 of 21.3.2014, p. 1-13.

1.4. Chronic diseases including cancer, age-related diseases and neurodegenerative diseases
1.5. Tobacco legislation
1.6. Health information and knowledge system to contribute to evidence-based decision making

Objective 2: Protect Union citizens from serious cross border health threats

2.1. Risk assessment additional capacities for scientific expertise
2.2. Capacity building against health threats in MS, including, where appropriate, cooperation with neighbouring countries
2.3. Implementation of Union legislation on communicable diseases and other health threats, including those caused by biological, and chemical incidents, environment and climate change
2.4. Health information and knowledge system to contribute to evidence-based decision-making

Objective 3: Contribute to innovative, efficient and sustainable health systems

3.1. Support voluntary cooperation among MS on HTA
3.2. Innovation and e-health
3.3. Health workforce forecasting and planning
3.4. Setting up a mechanism for pooling expertise at Union level
3.5. European Innovation Partnership on Active and Healthy Ageing
3.6. Implementation of Union legislation in the field of medical devices, medicinal products and cross-border healthcare
3.7. Health information and knowledge system including support to the Scientific Committees set up in accordance with Commission Decision 2008/721/EC

Objective 4: Facilitate access to better and safer healthcare for Union citizens

4.1. Establishment of a system of European reference networks
4.2. Effectively help patients affected by rare diseases
4.3. Strengthen collaboration on patient safety and quality of healthcare
4.4. Measures to prevent Antimicrobial resistance and control healthcare-associated infections
4.5. Implementation of Union legislation in field of tissues and cells, blood, organs,
4.6. Health information and knowledge system to contribute to evidence-based decision making

The main challenges to be addressed by the future 4th Health Programme [2021-2027] stem from the mid-term evaluation and from the need identified therein to better direct funding towards actions that show the greatest potential to generate visible impacts and produce concrete results in **addressing cross-border health threats, improving economies of scale, and fostering the exchange and implementation of best practices**.

The actions that have proven to deliver highest added value and on which the next health programme should concentrate its resources are supporting activities such as:

- the establishment and operation of European Reference Networks (ERNs),

- the "State of Health in Europe" cycle,
- work on EU cancer information system including the cancer registries (which provide information on treatments and outcomes), and more generally data and information collection, use of big data and real world data, to inform EU and Member States' health related policy action,
- technical assistance to Member States aimed at enabling health systems reforms in key areas such as Health Technology Assessment (HTA) and eHealth,
- the development of common methodologies and tools for integrated work (e.g. for the new HTA framework)) and the deployment of capacity building actions (e.g. the development of HTA capacity in Member States lacking this at the moment).
- AMR Action Plan promotes collaboration with different national authorities in order to reach the outlined objectives from a one health perspective and in support of Member States' national action plans.

The upcoming regulation on health technology assessment will imply additional funding requirements[175].
On the basis of the above considerations a review of the existing needs in the health area, conducted with the support of an external contractor and based on the mid-term evaluation results, has identified the necessity to focus EU action on the following problems:

- cross border health threats that are not stopped at the EU external frontiers and could be easily spread across borders and require coherent collective response without blocking the free movement of persons and goods in the EU;
- decision-makers need robust, comparable and timely health data, information, and expertise, to effectively tackle health policy challenges, to conduct structural reforms and improve accessibility, effectiveness and resilience of health systems while making strategic, long-term investments into them;
- effective rule making and enforcement action are needed to secure high standards of quality safety and efficacy for specific products improving or impacting health; this includes the need to support integrated work on Health Technology Assessment;
- the specificity of rare diseases requires cooperation across Member States to pool knowledge and expertise, increase access of patients to specialised centres and provide increased opportunities to R&D; the model of ERNs could be expanded to cover also other non-communicable diseases.

The above needs were translated in a refined intervention logic for the new Health Programme with a better definition of problems and objectives, conducive to a reduced and streamlined number of thematic areas of action (to replace the current 23 thematic priorities of the on-going 3rd Health Programme)[176].

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[175] Proposal for a Regulation of the European Parliament and of the Council on health technology assessment and amending Directive 2011/24/EU
https://ec.europa.eu/health/sites/health/files/technology_assessment/docs/com2018_51_en.pdf
[176] See above in pp. 9-10. Or See in Annex I of the Regulation (EC) N° 282/2014.

The revised intervention logic addresses a number of further challenges identified by the mid-term programme evaluation, including the need to improve the monitoring arrangements through the establishment of relevant indicators and to clearly communicate on its expected EU added value.

The cross-cutting objectives of the post-2020 multi-annual financial framework – flexibility, performance, coherence and synergies, and simplification – will also be addressed, as appropriate.

Flexibility is particularly important in relation to the management of cross-border health threats, as past experience with the Zika and Ebola crises has demonstrated. In practical terms, more flexibility is necessary in particular to define the category of costs eligible for EU funding (e.g. the purchase of goods such as vaccines or protective equipment); the geographical scope shall be expanded to allow countering severe crises that occur outside the EU and threaten the lives of EU citizens. Such flexibility would allow to undertake interventions (contingency measures) in all countries where such intervention is considered in the interest of the EU (e.g. South American and African countries in the case of the Zika and Ebola outbreaks mentioned above).

Past experience has demonstrated that the budget for crisis preparedness and management may be insufficient in case of severe threats (e.g. in 2009, responding to the influenza crisis required the provision of an additional €4 million, made available by the European Parliament through a Preparatory Action on an EU Rapid Response Capability, and in 2015-2016 funds had to be redeployed from other actions of the 3rd Health Programme to contribute to the EU response to health related risks of the migrants' crisis). For this reason and in addition to what will be already covered by the Health Programme, access to the Emergency Reserve Fund is necessary to allow the programme to effectively respond to potential serious health crisis in future.

Direct access to the Emergency Reserve Fund is required e.g. to purchase medical counter measures and allow the deployment of emergency support in case of unpredictable major epidemics or other crisis with a potential cross border impact on public health.

Challenges / **Programme/line**	**Empowerment of citizens, consumers and businesses**	**Administrative cooperation and integration among Member States**	**Rule-making, standard setting and enforcement at EU institutions level**	**Health as a resources for the society and the internal market**
Health Programme	the specificity of rare diseases requires cooperation across Member States to pool knowledge and expertise, increase access of patients to specialised centres and provide increased opportunities to R&D; the model of ERNs could be expanded to cover also other non-communicable diseases	decision-makers need robust, comparable and timely health data, information, and expertise, to effectively tackle health policy challenges to conduct structural reforms to improve accessibility, effectiveness and resilience and to make strategic, long-term investments in the health systems	ensure effective rule making, enforcement and high standards of quality safety and efficacy for specific products improving or impacting health	new health threats that easily spread across borders & require collective and coherent response

2.2 Objectives of the programmes of the next MFF

The general objective of the future Health Programme is to complement support and add value to Member States policies to improve EU citizens' health; to implement and enforce legislation governing the placing on the market and use of health products in the EU, and patients' rights to cross-border healthcare.

In response to the mid-term evaluation[177] of the 3rd Health programme and to an ongoing study[178] findings, the challenges and needs identified will be addressed by the following updated specific objectives:

1. **Prepare for and counter health [179] crises –** strengthen crisis-preparedness, management and response to protect citizens in the EU against cross-border health threats.
2. **Empower health systems with emphasis on their digital transformation –** empower Member States with data, information and knowledge for better decision-making providing tailored support, including technical assistance, to design and implement reforms for improving accessibility effectiveness and resilience of the health systems, and to support the digital single market.
3. **Support EU health legislation –** support the free circulation of products by developing, implementing and monitoring health legislation, while upholding citizens' rights to access cross-border healthcare.
4. **Support integrated work –** support Member States' efforts, pooling resources and fostering joint cooperation and implementation of best practices, e.g. through the ERNs.

A reduced number of 15 thematic areas of action with higher EU-added value will be proposed to reach the above-listed objectives while reinforcing some areas of action e.g. by increasing their outputs and further consolidating the critical mass of projects, as necessary. Monitoring arrangements including a monitoring plan and indicators will be established for overall objectives and for each area, respectively. Delivery of the programme's objectives will be assessed using the following evaluation criteria: (i) the continued relevance of all specific objectives and thematic areas of action, namely the direct relationship between the actions and the necessity to solve the problems and meet the needs while reaching the general objective; (ii) the effectiveness of the implemented health measures in achieving the general and specific objectives, also in light of the progress measured through the improved monitoring system to be put in place; (iii) the efficiency in the use of the financial resources spent under the health budget and their consistency with the results achieved; (iv) the coherence of the measures implemented

[177] Commission Report COM(2017) 586 final and Staff Working Document SWD(2017) 331 final of 11. 10. 2017. All evaluations reports including the external study are available on https://ec.europa.eu/health/funding/programme/2014-2020/midterm_evaluation_en

[178] Data-gathering study on the common financial framework for the management of expenditure under Regulation 282/2014

[179] This has to be understood as every potential crisis with a health dimension.

within the Health Programme, both internally and with other EU interventions; (v) the EU added value created through measures receiving technical and financial support under this programme.

3. Programme structure and priorities

In respect of achieving the programme objectives, 15 areas of action with higher EU-added value were identified, streamlined and ranked from high to medium priority as follows:

1. Strengthen crisis-preparedness, management and response in the EU to protect citizens against cross-border health threats.

1.1. Capacity-building measures for crisis preparedness, management and response **(high)**
1.2. Respond to cross-border health threats during crisis **(high)**
1.3. Support laboratory capacity **(high)**

2. Empower health systems with emphasis on their digital transformation

2.1. Support the digital transformation of health and care **(high)**
2.2. Support the development of a sustainable EU health information system **(medium)**
2.3 Support the national reform processes for more effective, accessible and resilient health systems **(medium)**

3. Support EU health legislation

3.1. Manage, maintain and implement the legislation on medical devices **(high)**
3.2. Support the implementation of Union legislation on medicinal products and on Health Technology Assessment (HTA) **(high)**
3.3. Monitor and support Member States in their implementation of legislation in the area of substances of human origin (SoHO) **(high)**
3.4. Support the implementation of tobacco legislation **(high)**
3.5. Support the implementation of Union legislation in the area of cross-border healthcare **(high)**
3.6. Support to the Commission' scientific committees on "Consumer Safety" and on "Health, Environmental and Emerging Risks" **(high)**

4. Support integrated work (e.g. ERNs, HTA and implementation of best practices)

4.1. Continue support for the European Reference Networks (ERNs) **(high)**
4.2. Support the development of cooperation on Health Technology Assessment (HTA) in preparation of new harmonised rules **(medium)**
4.3. Support the implementation of best practices to support structural innovation **(medium)**

Among the above mentioned areas of action some result from legal obligations and from the necessity to ensure that health legislation is properly implemented and enforced and remains fit for purpose (see objective 3). Actions under objective 1 cover crisis

preparedness and management; their necessity is undisputed and their implementation critical for ensuring the good functioning of the Internal Market; in case of severe outbreaks and crises the necessary measures must be taken and resources made immediately available by the programme or through access to the [Emergency Reserve Fund].

The areas of action under objectives 2 and 4, have been assessed as delivering promising outcomes in the ongoing Health Programme (e.g. the European Cancer Information System; the European Reference Networks) and should be pursued and will be expanded in the future Programme absorbing all available budget, allowing long term benefits to be fully deployed, and rolled out to other areas. Some such areas of action are also linked to important Commission initiatives such as the digitalisation of health and care, or the support for structural reforms and innovation discussed at the level of the EU semester. Integrated work on Health Technology Assessment (HTA) – as "piloted" through a series of Joint Actions in past and current programming periods, and provided in the recent HTA proposal adopted by the Commission[180] – and on implementation of best practices (selected from the vast repository built through previous programmes[181]) are also expected to deliver significant benefits in terms of EU added valued.

Instrumental to the pursuit of the objectives above is the work of a number of expert groups such as the Expert Panel on Health and other fora, which brings health stakeholders together ensure close links to support the EU health policy making the Member States, fast access to country-specific knowledge, two-way sharing of relevant information and, most importantly, faster pathways for implementation as well as the independent opinions of the Scientific Committees on consumer safety, on health and environmental risks and on emerging and newly identified health risks.

There is a critical mass of funded projects for each area of action to ensure that the programme will work effectively [and efficiently] for crisis preparedness and management, health systems' improvement and digitalisation, respect of health legal obligations, and further integrated work with the Member States. The 15 thematic areas of action are prioritised based on their EU-added value building on and consolidating the outcomes of the previous health programmes, mainly the 3rd Health Programme.

Concerning subsidiarity and proportionality, the mid-term review of the current programme concluded that most actions deliver useful outcomes with high EU-added value. This conclusion will be a fortiori applicable to the new programme, whose more focused and EU added value oriented intervention logic will allow to concentrate action in areas where Member States acting in isolation cannot achieve the results of action funded at EU level.

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[180] COM(2018) 51 final of 31.01.2018, see at https://ec.europa.eu/health/sites/health/files/technology_assessment/docs/com2018_51final_en.pdf

[181] DG SANTE is in the process of establishing a best practices portal that will allow to make available these and other best practices to interested users and in particular for purposes of implementation with the help of the Steering Group on Promotion and Prevention.

In particular, the cooperation at EU level and coordination of preparedness plans and responses to health threats is one of the strongest and best-known aspects of the programme's EU-added value. Activities to support capacity building against health threats have helped to improve Member States preparedness plans and provided for sharing knowledge and expertise and develop coherent approaches to tackle appropriately cross-border health threats, enabling the EU to speak with one voice to the wider international community. The 3rd Health Programme also helped Member States to increase their capacities in various areas, pooling knowledge, expertise and resources across the EU to increase citizens' access to high quality healthcare and to contribute to the reduction of health inequalities both within and between EU Member States.

The 24 European Reference Networks on rare diseases, the collaboration between EU Health Technology Assessment bodies, the support given to the eHealth Network are all illustrations of how targeted EU funding can efficiently mobilise important resources at Member States level in those areas, and lead to lasting added value, beyond the specific activity. Cooperating, using and sharing knowledge is another thematic area were action has high EU-added value because the collection and analysis of comparable data depicting the situation of health in each of the EU-28 Member States (country-profiles) contribute to an enhanced political dialogue and informed decision making for health policies.

Last but not least, the exchange and implementation of best practice for promoting health and preventing diseases have also a high EU-added value, as they can help Member States in making their health systems more resilient to challenges resulting from demographic changes and the new burdens they create.

The Treaty of Lisbon has enhanced the importance of health policy, stipulating that "a high level of human health protection shall be ensured in the definition and implementation of all Community policies and activities" (Article 168 of TFEU). The EU has an important role to play in improving public health, preventing and managing diseases, mitigating sources of danger to human health, including by harmonising legislation on tobacco, medicinal products, medical devices, patients' rights in cross-border healthcare, areas where health regulations are directly linked with the Internal Market (Article 114 of TFEU).

4. Delivery mechanisms of the intended funding

As for the current health programme, the future one will be implemented in direct management mode with an important part of its implementation entrusted to the Consumers, Health, Agriculture and Food Executive Agency (CHAFEA); the remaining part will be carried out by Commission services. The programme will provide funding (e.g. grants, public procurement, prizes), and be complemented, where appropriate, by new mechanisms (e.g. lump sums, unit costs, flat rates) aiming to achieve programme specific objectives, in particular simplification and reduced cost of controls.

The programme will be open to the [participation][involvement] of third countries when this is necessary to counter cross-border health threats and prevent their spread within the EU.
The implementation of previous Health Programmes has shown that in some circumstances (e.g. below certain levels of EU co-funding or co-funding per beneficiary) the management of grants may entail inadequately high administrative costs for the Commission services and for the beneficiary entities. Moreover, depending on the type (and accounting practices) of the beneficiaries, the complex grant management rules and procedures may increase the risk of irregularities from the side of these beneficiaries and consequently the errors for the programme. To streamline the administrative procedures and reduce the risk of errors and irregularities, simplified forms of grants, such as lump sums, unit costs and flat rates will be used (e.g. for operating grants to non-governmental organisations and ERNs).

Public procurement procedures are used for the acquisition of services, tools, studies to support the implementation of legislation. Where appropriate, they may also be launched to purchase goods such as medical counter measures and equipment in case of health crisis in order to complement Member States capacities in crisis management and response, as well as joint financing of rare diseases therapies in support of the ERNs.

As in previous programmes, other instruments easy to manage in terms of administrative costs, will also be used: prizes (e.g. EU Health Award), membership fees, reimbursement of expert or auditor mission costs, administrative agreements (e.g. with the Joint Research Centre) and cross sub-delegation (e.g. to EUROSTAT for data collection on health-related topics).

The toolkit of delivery mechanisms is flexible enough to allow funding in a proportionate manner and adjusted to the objectives being pursued. It also offers important potential for economies of scope and economies of scale, which enhance the overall effectiveness and efficiency of EU funding. For example, the grants for joint actions can be used in case of pan-European collaboration at a technical and political level when the political momentum is sufficient for results to be applied in practice. They help address health issues when critical mass is needed with the potential for identifying best practices. As such, they do not go beyond what is needed and they complement the Member States policies through, for example, the up-take of identified best practices. Likewise, the *grants for projects* involve different organisations in several Member States, joining forces to perform tasks on a common set of challenges with a trans-national dimension which cannot be effectively addressed in other organisational/institutional settings.

Grants agreements show from past experience that the risks of errors and irregularities can be further reduced through information sessions for applicants where these mitigation measures will contain management rules, audits and on-the-spot checks.

The evaluation of past programmes also showed insufficient participation of beneficiaries from low per-inhabitant GNI countries (below 90% of the EU average per-inhabitant GNI). To facilitate participation of these beneficiaries, "*an exceptional utility*" criterion has been implemented and will continue to be used enabling the increase of maximum

EU co-funding rates from 60% to 80% of eligible costs for beneficiaries established in low per-inhabitant GNI countries[182].

Finally, concerning the *direct grants*, this funding mechanism enables to tap into the unique knowhow of other intergovernmental organisations, such as the OECD, the WHO or the Council of Europe work on European Pharmacopeia, for the purposes of serving the health programmes objectives. One example is the case of the development of a common health information system (including the EU, OECD and the WHO) with data and indicators validated and collected routinely across Member States while seeking to ensure systematically the visibility of EU participation and co-funding.

For effective and EU swift reaction to unforeseen developments, notably in case of severe outbreaks and health crises, the necessary measures for crisis management and emergency response will be funded through an access to the Emergency Reserve Fund of the Multiannual Financial Framework.

5. How will performance be monitored and evaluated?

Building on existing processes and tools developed in the 3rd Health Programme, the Commission is developing a monitoring approach and will put in place all arrangements to follow Programme implementation and performance in delivering the results of actions in respect to their corresponding objectives. To that end, proportionate reporting requirements will be requested from recipients of EU funds and from the Programme's National Focal Points, supplemented by additional data collected in an efficient and timely manner from other sources (e.g. Eurostat, other relevant Commission services, Member States authorities, targeted surveys). This will enable to collect the required data and information at different points in time using a set of indicators as input to the evaluation of the Programme performance.

Performance monitoring

The Programme supports and complements Member States action in health and healthcare and its success depends on complementarity to and compatibility with Member States' health national plans and strategies. Impacts on the health of population cannot be directly attributable to the only Health Programme for the reason mentioned above, moreover long years are necessary in the scale of a human life and this is not suitable for a seven years Programme. However the Programme creates leverage effects and is decisive for changes and improvements in the national health policies.

The *State of Health in the EU*[183], a bi-annual cycle of collection and analysis of data describing the health country profiles and identifying the specific needs of Member

[182] The conditions are defined in Article 7.3 of the Regulation (EU) No 282/2014 of the EP and 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)
[183] https://ec.europa.eu/health/state/summary_en

States, will be used as basis for evaluating how they are participating in the Health Programme and how they are making use of the financial support for their concrete needs to improve their public health capacity and reform their health systems.

A first step into measuring performance is to clearly communicate the targets of each Programme objective ideally already in the legal basis and inform Member States and potential applicants. Only actions contributing to those targets should be retained in the adoption of the Annual Work Programmes, and the applicants should be able to justify how their proposals add value to these targets and on which basis their we can consider that their actions has succeeded or failed. This is important for avoiding past experiences where Programme evaluations have demonstrated that the Programme has had financed a series of individual successful actions but it was not possible to conclude if the Programme has achieved its own objectives.

Objective 1: Prepare for and counter health crises
The target here is:

- effective deployment resources (more than 90% of resources deployed), in the event of severe health crises

Objective 2: Empower health systems with emphasis on their digital transformation
The target is:

- successful synergies with other EU funds and programmes enabling to reach sustainable transformations and reforms, while health systems continue to deliver high quality of health services and health outcomes.

Objective 3: Support EU health legislation
The target is:

- a high degree of transposition and implementation of EU health legislation into the national legal systems measured by regular evaluations

Objective 4: Support integrated work
The target is:

- an increased engagement of Member States in integrated work measured with an indicator resulting from the aggregation of indicators at thematic area of action level.

In the case of HTA, this will be translated by the fact that all Member States can make their citizens benefit from medicines and therapies by accessing/ using qualitative Technology Assessments jointly prepared at EU level with minimum cost (economies of scale);

In the case of ERNs, this will be translated by the fact that rare diseases patients independently of where they are living in the EU can have access to rapid diagnosis and treatment;

In the case of implementation of best practices, citizens can benefit from improved national health programmes that have integrated the best available scientific evidence. This will result in the long term to economies for the health systems and in longevity and healthier life years for the individuals.

Currently, the Commission is working with the help of external contractors to find the most appropriate (quantifiable if possible) indicators at the level of operational thematic areas for an improved monitoring system (see table below). This system, managed by the Consumers, Health, Agriculture and Food Executive Agency (CHAFEA), will ensure the follow up of the implementation of the co-funded actions and support the monitoring of the Programme as a whole. A measure of success of the entire programme could be represented by the capability to create synergies with other EU programmes; appropriate indicators will be developed.

An overall indicator "Integrated work engagement strength" based on the aggregation of the indicators measuring the thematic areas of action under the specific objective "Support integrated work" is suggested for measuring the health dimension of the Single Market Programme.

Monitoring arrangements

The Consumers, Health, Agriculture and Food Executive Agency (CHAFEA) will ensure continuous monitoring of the Programme.

The *CORDA system* implemented by the Common Support Centre will centralise the results collected for all actions monitored through the use of the Horizon 2020 IT tools. It will be the key source of information for the evaluations of the future Programme and for the provision of policy feedback on the attainment of the Programme objectives and priorities, the types of actions and types of organisations co-funded. Additional data, for actions still remaining outside the Horizon 2020, including through forthcoming eProcurement IT tools will be incorporated in a single dashboard, enabling close to real-time monitoring and reporting.

This comprehensive Programme monitoring will ensure early detection of risks and possible deviations from target and timely adjustments, mitigation and corrective actions. Further information will be gathered through data collected (e.g. statistics, surveys, specific studies/reports) at less frequent rate from other sources among which, Eurostat, the Joint Research Centre (JRC), other Commission Services, Member States authorities, Committees of Member States' Representatives, the National Contact Points (NCPs).

Concerning the preparation and countering of health crises and the support to EU legislation objectives, the main outcomes and impacts (preparedness plans, deployment of resources in case of health crises including availability of countermeasures, degree of national transposition of EU legislation) will be compiled by the responsible Commission services, on the basis of information received from Member States' authorities or from Members States' Representatives in relevant Committees.

The WHO monitoring process involves the assessment of implementation of International Health Regulations (IHR) core capacities (e.g., legislation and policy,

coordination, surveillance, response, preparedness, risk and crisis communication, human resources, laboratory, events at points of entry), through a checklist of indicators using a composite measure based on capability indicators.

Programme evaluation and other reporting obligations

Every year, an analysis of progress on key dimensions of the Programme management and implementation will be published by the Commission services in the form of an annual implementation report which will be communicated to the European Parliament and the Council.

The Programme performance will be assessed through a mid-term review evaluation (4 years after the start of the Programme implementation) carried out by external and independent contractors with a focus on the implementation that far and actions' outputs or immediate results, progress towards the objectives of the Programme and recommendations for possible adjustments and improvements.

The period of four years is the minimum duration necessary before communicating on the mid-term review, as the majority of the funded actions have a three years period life and at least 10 months are necessary for an external evaluation study to assess the first actions funded by the Programme.

A final, ex-post evaluation will be conducted by independent external contractors, at the end of the Programme to review its performance and final results as well as to assess its outcomes and longer-term impact.

Health Programme							
Specific Objective & Actions	**Indicator**	**Definition**	**Type of the indicator (quantitative or qualitative**	**Source of data**	**Frequency of measurement**	**Baseline**	**Target** *(by end of the Programme)*
1. Prepare for and counter health crises[184]	Quality of EU response to future health crises -improvement	Assessment of the quality of EU response to future health crises, and in particular, in terms of observed improvement in comparison with previous crises	Qualitative	Evaluation/ assessment reports prepared by the Commission and by EU other institutions or by relevant International Organisations, drawing lessons from previous crises	Depends on occurrence of severe health crises	Situation during the Ebola crisis: EU responsemechanisms demonstrated added value, but lessons learnt from experience and capacity gaps were also highlighted	Improvement in the management of future cross-border health crises in comparison with previous occurrences
1.1 Capacity-building measures for crisis preparedness, management and response	a. Quality & completeness of national preparedness plans	Availability, quality and completeness of preparedness plans and extent to which Member States have put them in place to counter future health threats, as shown by the transmission of these plans to the Health Security Committee and their subsequent analysis by the Commission	Quantitative/qualitative	Commission/DG SANTE/Health Security Committee (HSC)	Annual	Situation in year 2020, as regard quality and completeness of national preparedness plans	90% of Member States reporting full compliance with the International Health Regulations, through annual reporting to WHO
	b. Level of uptake of tools by professionals/practitioners	Adoption and implementation by professionals and practitioners in Member States of tools developed	Quantitative/qualitative /	Assessment by Commissio	Annual/permanent	Situation in year 2020	Good to very good level by all MS Specific target will depend upon the severity of case/issue/outbreak

[184] This has to be understood as every potential crisis with a health dimension.

		during capacity building and other knowledge sharing exercises (e.g. percentage of messages of those supposed to be transmitted through the Early Warning and Response System – EWRS)	level	n/DG SANTE/HSC			addressed (e.g. Ebola, Infuenza)
1.2 Response to cross-border health threats during crisis	a. Availability of vaccines and countermeasures during crises	Level of availability in terms of quantity and quality of vaccines and other medical countermeasures to be used during disease outbreaks and crises with health dimension obtained through joint procurement or any other mechanism supported by the Health Programme	number	Commission/DG SANTE	Annual/permanent	Situation in 2020: number of available medical countermeasures	Availability across EU of 3 additional vaccines/countermeasures at end of the Programme
1.3. Support laboratory capacity	a. EULabCap index	EULabCap index is an aggregated index resulting from the annual survey carried out by the European Centre for Disease Prevention and Control – ECDC. The aggregated index provides a robust EU-wide assessment of collective laboratory capacity	Number – on a scale of 0-10	The EULabCap survey methodology developed by the European Centre for Disease Prevention and Control - ECDC – Annual EULabCap Report released by ECDC	Annual	In 2015, the EULabCap aggregate index for EU/EEA was 7.5 on a scale of 0-10	Regular increase of the aggregated EULabCap index
	b. Number of laboratories participating in Joint Actions	Number of laboratories participating in Joint Actions launched by the Programme with the aim to support laboratory capacity	Quantitative (number)	Beneficiaries of the grant agreements concluded in the context of the Joint Actions to support laboratory capacity	Annual	37 associated / collaborating partners from 25 European countries are participating in EMERGE Joint Action	expanding the involvement of relevant laboratories across the EU – 10 new members by 2028 covering most Member States + relevant partner countries
2. Empower health	Decrease in the costs related to	EU-wide assessment of the decrease of	number	Comprehen	multiannual	Situation in	Reduction, at the end of the Programme,

systems with emphasis on their digital transformation	management of information, resulting from increased digital transformation of health systems	the costs of management of information, linked with increased digital transformation of health systems		sive study to be carried out by Joint Research Centre – JRC, with a view to assessing, among others, the reduction of costs of managemen t of the information , resulting from increased digitisation of health systems		2020: estimate of costs of information management by health systems, derived from the planned Study	by 20% of information management costs as compared to baseline
2.1 Support the digital transformation of health and care	Number of eHealth solutions or tools up-taken and implemented in Member States' health systems	Number of eHealth solutions or tools up-taken and implemented in Member States' health systems per million euros invested from the Health Programme's budget	number	Member States, National contact points – NCPs, surveys	Annual/per manent	Situation in 2020	At least 1 case of eHealth solution or tool up-taken and implemented per million euros invested from the Health Programme, over the duration of the Programme 2021-2028
2.2 Support the development of a sustainable EU health information system	Health networks sustainability	Depending on their needs and priorities, the sustainability of current and future networks on health information is defined in this context by their ability to continue their operations after the end of co-funding from the Health programme budget;	qualitativ e	Ad hoc report or survey carried out by Commissio n Services or by an external organisatio n acting on behalf of Commissio n services	At the end of the Programme	situation in 2020	Sustainability of health information networks at end of the Programme, by 2028
2.3 Support the national reform	Number of health-related recommendations coming from	Number of health-related recommendations coming from the EU	number	EU Semester	Annual	In 2017, EU Semester	At least one country-specific recommendation relating to health

processes for more effective, accessible and resilient health systems	the EU Semester process that are successfully addressed, with the support of the Health Programme (or of the ESF+ Programme)	Semester process that are successfully addressed, with the support of the Health Programme (or of the ESF+ Programme)		Process, Commission services		country-specific recommendations related to health systems were issued to nine Member States	systems successfully addressed, with support of the Health Programme (or of the ESF+ Programme)[185]
3. Support EU health legislation	Degree of transposition of EU health legislation into the national legal systems measured by regular evaluations	Degree of transposition of legislation into national laws/regulations and legal systems. The degree of transposition is measured among others by regular reports, some of which are foreseen in the concerned legal acts.	qualitative	Commission/MS authorities/ Evaluation reports	Frequency in accordance with the provisions in the relevant legal acts	Situation in 2020, as will have been assessed by the Commission and Member States	High degree of transposition by all Member States
3.1. Manage, maintain and implement the legislation on medical devices	Percentage of Member States which have implemented the EU legislation in the field of medical devices in their national legal system	Percentage of Member States which have implemented the EU legislation in the field of medical devices in their national legal system, as reported by successive evaluation reports	percentage	Commission/MS authorities/ Evaluation reports	Same as the frequency provided for in the legal act	Situation in 2020, as will have been assessed by the Commission and Member States	90% of Member States having implemented the EU legislation in the field of medical devices at the end of the Programme
3.2. Support the implementation of Union legislation on medicinal products and on Health Technology Assessment	a. Number of projects by the Biological Standardisation Programme (BSP) for the quality control of biologicals	Number of projects by the Biological Standardisation Programme (BSP) for the quality control of biologicals. The activities by biological standardisation program ensure the independence of tests on biologicals, allows comparison of tests, ensures high quality biologicals and aims to reduce animal testing in the EU.	number	Commission/MS authorities/ Evaluation reports	Annual	118 projects finalized since its inception, 4 in 2016	Around 4 BSP projects concluded annually
	b. Number of Regulatory Members from Member States joining the ICH	Number of Regulatory Members from the Member States joining the ICH and implementing its guidelines	number	Commission/MS	Annual	Situation in 2020, as provided by Commission	Regulatory Members from 14 additional Member States joining the ICH and implementing its guidelines at the end of the Programme

[185] To be confirmed by the responsible operational unit

				authorities		services' evaluation	
3.3. Monitor and support Member States in their implementation of legislation in the area of substances of human origin (SoHO)	Percentage of Member States which have implemented the EU legislation in the field of substances of human origin (SoHO) in their national legal system	Percentage of Member States which have implemented the EU legislation in the field of substances of human origin (SoHO) in their national legal system, as reported by successive evaluation reports	percentage	Commission/MS authorities/ Evaluation reports	Same as the frequency provided for in the legal act	Year 2020	90% of Member States having implemented the EU legislation in the field of substances of human origin (SoHO) at the end of the Programme
3.4. Support the implementation of tobacco legislation	Percentage of Member States which have implemented the EU legislation in the field of tobacco in their national legal system	Percentage of Member States which have implemented the EU legislation in the field of tobacco in their national legal system, as reported by successive evaluation reports	percentage	Commission/Member States Authorities	Same as the frequency provided for in the legal act	Situation in 2020, as provided by Commission services' evaluation	90% of Member States having implemented the EU legislation in the field of tobacco at the end of the Programme
3.5. Support the implementation of Union legislation in the area of cross-border healthcare	Percentage of Member States which have implemented the EU legislation in the field of cross-border healthcare in their national legal system	Percentage of Member States which have implemented the EU legislation in the field of cross-border healthcare in their national legal system, as reported by successive evaluation reports	percentage	Commission/MS authorities/ Evaluation reports	Annual or at least at frequency provided for in relevant legal act	Situation in 2020, as provided by Commission services' evaluation	90% of Member States having implemented the EU legislation in the field of cross-border healthcare at the end of the Programme
3.6. Support to the Commission' scientific committees on "Consumer Safety" and on "Health, Environmental and Emerging Risks"	Number of scientific opinions issued and approved	Number of scientific opinions issued and approved by the Commission's scientific committees	number	Commission	Annual	30 opinions finalized since 2016	Continuous number of opinions in line with recent values: 10/year, (if the average number of issues arising in a given year is higher than 10) or all arising issues receiving a scientific opinion, in case their average annual number is less than 10.
4. Support integrated work	Strength of integrated work engagement	The Strength of integrated work engagement indicator will be based on an equal weighting aggregation of the indicators of the 3 operational priorities below[186]: ERNs, HTA, and Implementation of Best Practices	number	Commission/DG SANTE/CHAFEA	Annual	Situation in 2020	Increase of the composite indicator by 20% at the end of the Programme

[186] The detailed aggregation methodology for defining the composite indicator from the indicators requires further information and data analysis in order to be finalised

4.1.ERNs	Number of patients supported by ERNs	Number of patients which were diagnosed and treated by ERN networks	number	Commission/DG SANTE/CHAFEA	Annual	Number of patients that made consultations in ERNs by 2020	Early in its development, target to be established in 2020
4.2.HTA.	a. Transitional period. coordination level	Number of Member States which have joined the Coordination Group as members in the transitional period.	percentage	Commission/DG SANTE/NCPs	Annual	Situation in 2020, as provided by Commission services' evaluation	Increase by 20%[187]
	b. Number of joint clinical assessments on medicinal products and on medical devices	Number of clinical assessments jointly carried out	number	Commission/DG SANTE/NCPs	Annual	Situation in 2020, as provided by Commission services' evaluation	50 HTA
4.3.Implemenation of best practices	a. Number of best practices transferred per million of € invested	Number of best practices transferred to Member States (receiving MS) per million of € invested from the Health Programme	number	Commission/DG SANTE/NCPs/ad hoc survey	Annual	Situation in year 2020, as provided by estimations relating to the 4th Health programme	na[188]
	b. Percentage of EU population of the geographical territory in which each best practice is transferred	Percentage of EU population of the geographical territory in which each best practice is transferred	percentage	Commission/DG SANTE/NCPs/ad hoc survey	Annual	No baseline available	Maximizing the percentage of EU population of the geographical territory in which each best practice is transferred, with a target of at least 5%
Overall Programme Indicator	Reduction of the difference between the 5 best performing Member States (MS) in terms of Mortality rate and the 5 worst performing MS	Reduction of the difference between the 5 best performing Member States (MS) in terms of Mortality rate and the 5 worst performing MS	Quantitative	Commission/Member States/Health Security Committee	Frequency of available data in Eurostat's Database	Situation in 2020	Reduction of observed inequality by 20%

[187] To be confirmed by responsible operational unit: applicable only before the adoption of HTA legislation. Once HTA legislation is adopted, the relevant indicator will be addressed under the *Support to EU health legislation* specific objective

[188] Due to lack of experience, the target will be set up in 2020, when more information and data become available

Sub-Annex 1: Evidence, sources and quality

The systems put into place for the monitoring and management of previous health programmes enabled to efficiently collect data on various aspects of the implementation, including the type of actions, the types of beneficiary organisations, amount of EU co-funding.
Information and evidence from programme monitoring and management include deliverables and assessment of results at action level, enabling to measure the success of each funded action and its contribution to the overall objectives of the programmes.
The deliverables and results at action level feed into the dissemination plan at programme level and provide the opportunity to extract and present showcases of success showcases from which broader lessons can be drawn, as feedback and input to future actions/programmes.

The mid-term and final (ex-post) evaluations of the previous programme conducted by external independent contractors/organisations provided reliable evidence and necessary input to the preparation of the impact assessment of the subsequent Programme.
In this respect, the present impact assessment builds on evidence gathered from the mid-term evaluation of the 3rd Health Programme (2014-2020), carried out in 2017 (link to be added) and from of final (ex-post) evaluation of 2nd Health Programme (2008-2013) issued in 2016.

The robustness and quality of information derived from Programme monitoring and from mid-term and final evaluations has been assured by cross-checking with complementary evidence from independent other evaluations or audits of specific components of the Programme, such as the special report issued in 2016 by the European Court of Auditors on cross-border threats to health in the EU and the Commission report to the European Parliament and to Council on the implementation of Decision No 1082/2013/EU.
Robustness and quality can also be increased by taking into account reports and opinions delivered by other EU institutions (e.g. Council Recommendations on Vaccination, on AMR, and on lessons learned from the Ebola and Zika crises; European Parliament Resolutions on health-related issues and on specific aspects of the Health Programme).
In addition to opinion of the Members of the 3rd Health Programme Committee, the impact assessment took into account the opinion of Scientific Committees and advice from experts groups at EU-level (Expert Panel on Effective Ways of Investing in Health; Expert Groups represented in the EU Health Policy Platform) or in international organisations (cooperation with WHO, on the implementation of IHR and with OECD on health information and State of Health in the EU cycle).

At Commission level, the impact assessment included by up-to-date evidence from new policy developments and opportunities of synergies offered such developments (e.g. Action Plan on AMR, Digital Single Market Communication, and Communication on Vaccination, under-preparation).

Finally, in order to close remaining information gaps, the Commission launched a study on gathering with a view to analysing the impacts of possible actions in the future Health Programme and to proposing a programme monitoring and evaluation framework.

Sub-Annex 2: Stakeholder consultation

In addition to the IMP public consultation launched during the 1st quarter of 2018, open consultations were carried in the context of the mid-term evaluation of the 3rd Health Programme. Stakeholders participated in the mid-term evaluation of the 3rd Health Programme through these consultations[189], including an open public consultation which covered aspects relating to the relevance, added value, efficiency, effectiveness, and coherence of the programme. This served, notably, as input to the preparation of the impact assessment of the Health Programme post 2020.

The consultations, carried out from November 2016 to February 2017, engaged institutional stakeholders, notably the Programme Committee members and National Focal Points and grant beneficiaries. The stakeholders involved in the funded activities, especially non-governmental organisations, public health authorities, academic and research organisations, international organisations, professional associations, private companies and individual persons were also consulted through the open public consultation.

In addition, targeted on-line consultations with public health experts and e-surveys with National Focal Points and Programme Committee members were conducted as part of the external evaluation study. These were complemented by targeted interviews of Commission and International Health Organisation officers, and grant recipients (beneficiaries), mainly project leaders and coordinators of actions funded under the Programme.

In the open public consultation Member States and EU stakeholders provided an overwhelming support for EU health policies confirming that the cooperation in the area of health is essential and should be maintained (70%).
The EU should continue supporting important health-related challenges facing EU citizens, governments and health systems reflected in the formulation of the Programme's objectives.[190]

[189] The results of the consultation activities are presented in the Annex V of the SWD (2017) 331 final of 11.10.2017
[190] The results of the Open Public Consultation are publicly available on: https://ec.europa.eu/health/funding/consultations/midterm_evaluation_en

Sub-Annex 3: Evaluation results

The programme evaluations carried out are as follows:
Mid-term Evaluation of the third Health Programme (2014 – 2020)191 released in 2017
Report on the implementation of Decision No 1082/2013/EU of the European Parliament and of the Council of 22 October 2013 on serious cross-border threats to health[192]
Ex-post Evaluation of the second Health Programme (2008 – 2013)193 released in 2016
Mid-term Evaluation of the second Health Programme (2008 – 2013)194 released in 2011
Ex-post evaluation of the (first) Public Health Programme (PHP) 2003-2008[195] released in 2011
Mid-term evaluation of the (first) Public Health Programme (PHP) 2003-2008[196], released in 2007

[191] https://ec.europa.eu/health/sites/health/files/programme/docs/2014-2020_evaluation_study_en.pdf
[192]https://ec.europa.eu/health/sites/health/files/preparedness_response/docs/report_decision_serious_crossborder_threats_22102013_en.pdf
[193] https://ec.europa.eu/health/sites/health/files/programme/docs/ex-post_ev-hp-2008-13_final-report.pdf
[194] https://ec.europa.eu/health/sites/health/files/programme/docs/mthp_final_report_oct2011_en.pdf
[195] https://ec.europa.eu/health/sites/health/files/programme/docs/ex_post_evaluation_en.pdf
[196] http://ec.europa.eu/health/archive/ph_programme/documents/evaluation/php_evaluation_en.pdf