

Added value from the ESF

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This note was presented at a workshop of the Conference „Shaping the Future of the ESF – ESF and Europe 2020” in Brussels, on the 23rd June, 2010. The workshop focused on setting priorities and identifying added value in the European Social Fund (ESF).

A possible approach for identifying added value in the ESF

A simple approach to setting priorities for the ESF is to derive goals from the EU 2020 strategy and look for added value within the policies leading to those goals. That would ensure a rather large scope as the relevant goals of the new 2020 strategy – smart and inclusive growth – can potentially cover all areas of social and development policy.

In the approach proposed here the ESF may serve any objective fitting within the goals of smart and inclusive growth, as long as it yields added value at a European level. There may be several sources of added value; here we consider four areas where political externalities or the transnational transfer of knowledge may generate some added value for Europe. In EU terminology, the first two may be considered as priorities, the last two as cross cutting issues.

1. Future generations

Democratic procedures are meant to ensure that governments work for the advancement of the public good. These procedures however are not perfect and governments are always tempted to favour their own electorate, often at the expense of maximising the long term welfare of the nation. Though recent political innovations have established institutions¹ to represent the interests of children, their influence on policy making has remained limited so far. While long term concerns may sometimes fall prey of short term political interests, member states all recognise the importance of reducing child poverty and providing quality education both for their intrinsic value and for their long term impact on social mobility, inclusion and economic growth. Based on this consensus, the ESF may legitimately promote policies for the benefit of children even where momentary political support for such policies happens to be weak. This is a source of added value in the sense that the welfare outcome will be higher than it would be with resource-allocation determined solely by national political will.

2. Voice of the weak

In a similar vein, the ESF may promote equal opportunities (or other needs) of weak and/or discriminated social groups. While such policies are often difficult to gain support for at the national level, they bring obvious benefits in terms of mobility and social inclusion at the national and in some cases (e.g. concerning immigrants) at the EU level as well. Though services for the most disadvantaged may be more expensive than targeting easy-to-integrate groups (e.g. among the unemployed), they can be more cost-efficient as deadweight loss can be lower and they bring long term savings in welfare and healthcare spending, and potentially also reduce crime and social tensions.

3. Transparency

Transparency in policy making and resource allocation may increase welfare by augmenting the knowledge base within government and fostering the quality of decision making. When information on government decisions, spending and actions is easily accessible, it is much easier for the media and civil society to hold the government accountable for their actions. While the value of transparency is accepted by all member states, national governments may not always have the sufficient political will to pursue transparency even at the expense of forfeiting short term political gains.

4. Good governance

¹ There is a special council, commissioner, or ombudsman in most member states with a mandate to protect children's rights and / or represent broader concerns of the environment as well.

The tools and procedures of good governance can be learnt and passed on to each other among member states and across government functions. However, institutional rigidities and the costs of information and learning may seriously constrain the transfer of good practice. The ESF (and all other EU funds) may generate added value for the European community by reducing such constraints.

There may be wide variation in the particular weaknesses and needs of member states and regions within the above broad areas. However, the above sources of added value may be relevant for all regions as long as they are given some freedom in choosing their own specific problem areas.² The challenge then is to find a flexible framework that keeps the focus on genuine added-value while providing ample room for regional variation.

How to tap these sources of added value

The above described sources of added value are certainly not new in the sense that the ESF has used them before. The message here is simply that the Fund should be focused more closely on these and similar sources of added value. This section presents some tools for sharpening the focus of spending by the ESF.

Table 1. Some tools for tapping the four sources of added value in the ESF

Area	What to do	How	Example of concrete measure
1 future	Target children (and possibly mothers)	Make early development a priority, support investment in high quality institutional care.	Compulsory minimum „income“ for children (variation on the proposal by Tony Atkinson), to be spent on child care services.
2 voice	Narrow targets to truly disadvantaged	Support capacity building in rehabilitation and reintegration services. Impose conditionality of inclusion on all other spending.	Introduce indicators that reflect flows/mobility from and duration of inactivity, unemployment and poverty (at household and regional level).
3 transparency	Enforce transparency, provide info at EU level	Strengthen EC role in pooling and sharing information.	Initiate peer review on involving civil society in resource allocation and monitoring.
4 governance	4.1. Reduce admin, increase NPM 4.2. Promote problem-based, coordinated intervention: complex programmes 4.3. Foster involvement of local communities	Introduce result-based financing (first as a bonus), strengthen monitoring and feedback into policy making. Promote intra-government coordination, remove constraints to complex programmes Capacity building in the implementation system	Develop and promote standards in data collection and programme evaluation methods, support capacity building in evaluation. Establish a separate evaluation agency. Improve/renew training for auditors, review appeal procedures. Invite OECD review of national management and admin practices. Increase share of ESF but at the same time increase share allowed to spend on ERDF type expenditure within that. Significantly increase 2% error rate for complex programmes. Promote ear-marked use of TA resources for improving project management. Revive multilateral working groups under EMCO/EPC as a forum for sharing best practice. Support secondment across national development agencies.

² E.g., depending on the local situation, „the most needy“ may be asylum seekers, the Roma, or other ethnic minorities, immigrants, orphans, etc.

Tools listed under „future” and „voice” directly contribute to achieving the new headline targets of the EU 2020 Strategy: the 75 % employment rate, the below 10% drop-out rate in primary education, the 40 % share of tertiary education, and the reduction of poverty (European Council 2010). The other tools contribute indirectly, by improving the outcome of political bargains and the quality of government decision making. The list above is suggestive and certainly not complete.

3. Proposals: what follows from specific needs of NMS?

Finally, let me consider some areas where the formerly socialist New Member States may have specific needs flowing either from their socialist past or the transition experience. While the problems highlighted in this section are common to almost all NMS, they may concern some old member states as well. The message of this section is not that there should be a divide between old and new member states in the ESF, but that the specific weaknesses of the NMS should be closely monitored and taken into account when setting the priorities and also in assessing progress achieved by the ESF.

As illustrated by Figures 1-2 and Table 2 below, there are three areas where the NMS have a structural weakness related to their shared past of socialism and the rapid transition to market economy:

- the employment rate of the uneducated population is low,
- civil societies are weak,
- public administration is weak.

There are unfortunate negative synergies between these areas. The weakness of civil society in post socialist countries reduces their potential for holding their governments accountable and press them to improve the quality of decision making. The lack of well established and legitimate interest groups is also a limitation for governments genuinely committed to partnership and consultation. Public administration tends to be over politicised and unstable, which decreases the general quality of decision making and also makes it rather difficult to reform their internal structures. With little pressure coming from civil society, this is left to the political will of governments. Finally, poor policy making has contributed to the emergence of large and persistent structural problems in the post-socialist economies, which they appear unable to solve if left to their own resources. The low employment rate of the uneducated labour force is probably the gravest of these as it leads to persistent poverty, social exclusion and the accumulation of generational poverty.

Many of the tools listed in Table 1 can be also used to tackle the above specific weaknesses. For example, increasing transparency will help strengthen civil society, but beyond that, there is a need for more stability in financing. Or, problem based and coordinated government decision making will help to tackle low employment rates – more specifically, the NMS need more assistance in designing and implementing efficient ALMPs.

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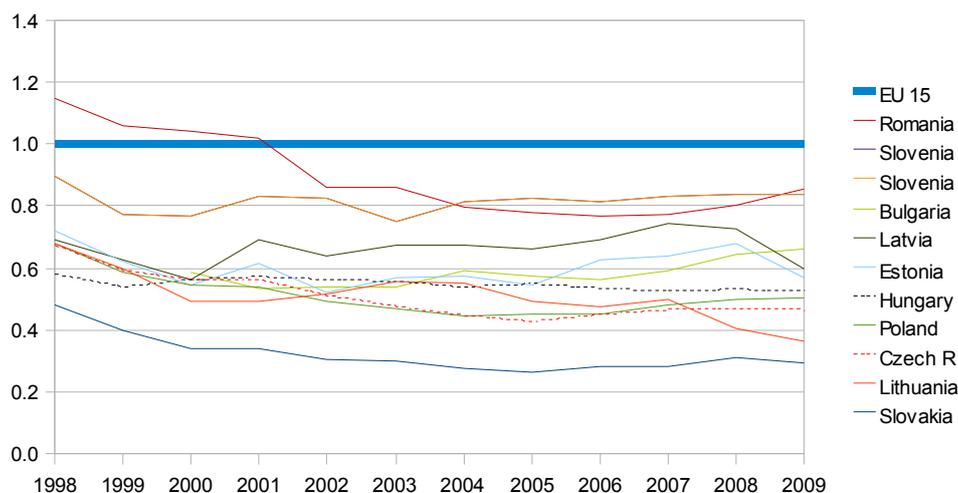
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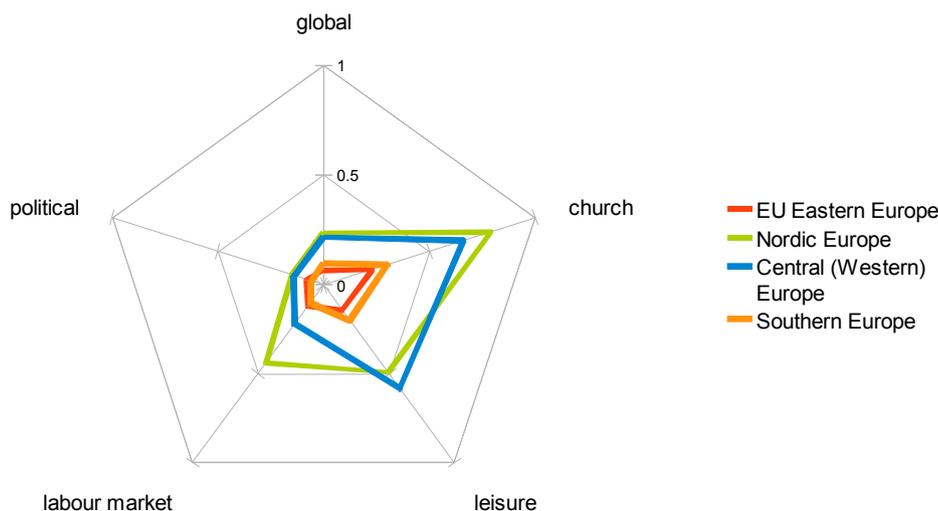
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Figure 1. Employment rate of uneducated population as compared to EU15 (age 25-64)



Source: Eurostat on-line database [tsdec430], population with primary or lower secondary education.

Figure 2. Participation in civil organisations by type of organisation and country group



Source: Pichler and Wallace (2008), based on the World Value Survey 2005. EU Eastern Europe includes Bulgaria, Romania and the eight post-socialist countries that joined the EU in 2004, except for Poland.

Table 2. Fit with European Principles of Administration

Current fit \ Post accession change	High	Medium to high	Medium	Medium to low	Low
Continued reform	Lithuania	Latvia Estonia			
Mixed			Hungary Slovenia		
Reform reversal				Slovak R Poland	Czech R

Source: Meyer-Sahling 2009. Based on analysis of legal changes between 2004-2008 and survey data and interviews conducted in 2008.