MAROŠ ŠEFČOVIČ
VICE-PRESIDENT OF THE EUROPEAN COMMISSION

B-1049 BRUSSELS

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Dear Lord Roper,

The European Commission would like to thank the European Union Committee of the House of Lords for the transmission of its report "Making it work: The European Social Fund" sent on 7 April 2010.

Overall the Commission warmly welcomes the report and its conclusions, which describe the benefits and added value of the European Social Fund (ESF), its capability to trigger innovation and to respond quickly to sudden developments, such as the current economic crisis, the fact that it focuses on those hardest to reach and on the least skilled, and the crucial role it plays in EU social and economic cohesion policy.

In line with the Commission's decision to encourage national Parliaments to react to its proposals in order to improve the process of policy formulation, we welcome this opportunity to respond to your comments. I enclose the Commission's reply and hope you will find this a valuable contribution to your own deliberations.

Yours sincerely,

Lord Roper
Chairman of the European Union Select Committee
House of Lords
Palace of Westminster
UK-London SW1A OPW

EUROPEAN COMMISSION

COMMENTS OF THE EUROPEAN COMMISSION ON THE REPORT OF THE HOUSE OF LORDS "MAKING IT WORK: THE EUROPEAN SOCIAL FUND".

The European Social Fund in practice

The Commission welcomes the Committee's conclusion that the European Social Found (ESF) is an important component of the EU's broader social and economic cohesion policy. It also agrees that the ESF should continue to focus on assisting the 'hardest to reach' and the least skilled among the employable.

The report expresses concern that the English system of competitive tendering under cofinancing may have resulted in 'cherry picking' of participants. However, the contracts drawn up between the Department of Work and Pensions (DWP) and the cofinancing organisations (CFOs) clearly stipulate the target groups and the number of participants who are to benefit from ESF-cofinanced projects. CFOs are required by contract to demonstrate that they deliver in accordance with the agreed number and characteristics of participants in order for payments to be released.

Furthermore, each CFO needs to present progress reports to its Regional Committee, which monitors performance and progress and may propose remedial action if underperformance were to occur. The Commission therefore believes that the English system addresses the risk of 'cherry picking', but both DWP and DG Employment are watching developments carefully and will take action should the CFO not deliver as agreed.

The Commission fully acknowledges the vital role of non-governmental organisations (NGOs) in delivering ESF programmes. Available evidence suggests that the Third Sector continues to be significantly involved in the delivery of the English programme: more than 20% of prime contractors and 60% of subcontractors are Third Sector organisations. Both DWP and all CFOs recognise the importance of engagement with the Third Sector.

The Commission is grateful that the Committee recognises the work already undertaken through the ESF to support green skills.

As regards additionality, which is one of the main principles underpinning the economic role of cohesion policy, the Member States and the Commission share responsibility in partnership, programming, evaluation, management, including financial management, monitoring and controls. This approach should be maintained for the post-2013 ESF programming period.

The Commission welcomes the Committee's recognition of the efforts undertaken to improve the ESF's visibility. In order to improve its visibility further, best practice is shared by the Member States — for example at EU level within the ESF Technical Working Group and the Informal Network of Information Officers (INIO), and at national and regional level through network meetings of officials responsible for ESF publicity and communications.

As regards difficulties in securing match-funding for technical assistance projects, a managing authority may opt to increase the intervention rate for a given project to above the rate set for a priority. In such cases the managing authority must ensure that the overall intervention rate for the technical assistance priority is met. However, the English managing authority has decided not to take advantage of this flexibility.

In response to the Committee's concern at possible delays caused by the transition to new arrangements in the skills sector, the Commission understands that the handover to the Skills Funding Agency on 1 April has caused no delay or difficulty in the delivery of the new provision. New CFO plans for the period up to 2013 have been drawn up as planned and are currently being examined for approval in the English regions. The tendering and commissioning arrangements and timetables are in place.

Measuring the effectiveness of the European Social Fund

The Commission fully accepts the recommendation that there is room for improvement in assessing the effectiveness of ESF interventions and is currently drawing up proposals which the Member States and the European Parliament will hopefully approve for the post-2013 funding period.

The Commission understands the concern at the timing of evaluations undertaken by Member States under the current 'on-going' system. However, it stresses that the present approach to evaluation was based on past experience of mid-term evaluation driven by regulatory imperatives. Although this exercise demonstrated growing evaluation capacities, a number of shortcomings were identified. The main lesson drawn from that system was a need to shift to a more flexible approach driven by the needs of decision-makers. Additionally, greater efforts have been made to strengthen links between monitoring and evaluation. The Commission sees annual reporting by Member States as an important source of information on the ESF's performance.

As regards the recommendation for greater use of longitudinal cohort surveys, the Commission agrees that the latter are highly relevant to assessing the sustainability of hard outcomes. As from 2007 some Member States have been introducing this approach into their evaluations. We believe that the potential of longitudinal cohort surveys could be explored further to facilitate capturing soft outcomes.

The Commission agrees that there is a need to collect reliable, robust monitoring data on hard and soft outcomes alike, which is one of the main points for consideration in the discussion on the type of conditionality to apply in the future. What seems crucial is the ability to measure the *progress* that a beneficiary makes towards employability or harder outcomes achieved as a result of the project — in other words the 'distance travelled'.

However, because of the nature of soft outcomes, i.e. their target group and project type specificity, the Commission is aware of limitations affecting the systematic aggregation of soft indicators at project and programme level and the conducting of rigorous analysis. Nevertheless, soft outcomes have been already included in ESF programmes in a number of

Member States; in other Member States a requirement to report soft outcomes has been introduced at project application stage so that project promoters are required to collect data. Despite serious methodological constraints, the Commission and the Member States are also endeavouring to systematically evaluate achievements in terms of soft outcomes, e.g. by including specific questions in leavers' surveys.

The Commission understands the concern at the length of time for which the managing authority has to keep all the supporting documents on expenditure and audits relating to the operational programme available. However, the Commission draws attention to the newly implemented provision for this financial framework, which aims to reduce the document retention period significantly. As from 2007, documents on expenditure and audits relating to operations that were subject to partial closure need to be available for only three years following the year in which partial closure took place. The Commission is looking at further simplifications in this area for the next programming period.

Flexibility of the European Social Fund

The Commission fully agrees that a balance needs to be struck between flexibility and the need for projects to comply with the rules and authorisations made under them. We believe that the use made in England of extra funds resulting from revaluation (to focus on activities designed to respond to the effects of the economic crisis on the most disadvantaged) has demonstrated both flexibility and accountability in terms of ESF provision. Supplementary CFO plans set out how and where the additional provision would be targeted.

Delays in funds reaching project-providers, in particular following the release of extra funds resulting from the revaluation of the euro, were due to domestic rules on procurement. Otherwise, the timeframes were in line with the requirements in public procurement legislation and may be deemed 'normal'.

The Commission agrees that a balance needs to be struck between satisfying short-term needs in a time of crisis and long-term structural reform. Improvements to systems and lessons learnt from the ESF support in tackling the crisis are discussed at our meetings with the Member States and the Commission is more than happy to share any findings with them.

As for greater flexibility to alter programme targets and move funds between priorities, the UK ESF programmes in particular are deemed very flexible as they are based on a very limited number of priorities. The multi-annual nature of Structural Fund programmes also allows the managing authorities to catch up later where they fall behind schedule in delivering projects for certain target groups. The Commission wishes to continue this practice for future programmes too. However, since the core of all programmes involves allocating ESF funds to priorities and setting the right targets, we feel that such amendments need to be justified and negotiated with the Commission.

Enhanced regional flexibility is already a fact under the English programme, since regional priorities are taken into account via regional frameworks and feed into the overall English programme targets. They add value to regional employment and skills priorities, set regional targets and shape CFO plans through which the operational programme is delivered. The Regional Frameworks were revised at the end of 2009 to take account of economic, labour market and policy development. Any further regional flexibility would mean introducing specific programmes for each of the nine regions of England. Since this would substantially increase the workload and administration for both the regions and the Commission, we believe the arrangements currently in place are preferable, including for the future.

Future of the European Social Fund

The Commission is grateful for the conclusion of the Committee that the Europe 2020 Strategy should drive the future direction of the Structural Funds. In implementing the overarching Europe 2020 Strategy, to which the ESF and other European Funds will contribute substantially, the Commission will see how it can be brought more closely into line with other EU instruments.

The Commission wishes to assure the Committee that it fully recognises and backs support for green skills and jobs, in terms of both 'greening' existing jobs and developing new skills and jobs. The Commission also sees a key role for the ESF in helping people via active inclusion to return to the labour market and thus fight poverty. The ESF will therefore continue to be the main EU instrument for supporting those hardest to reach and the least skilled.

The Commission is pleased to note the Committee's recommendation that the ESF should continue to be available throughout the EU after 2013 as a practical expression of the EU's solidarity with its citizens.