



Mapping of performance-based schemes in the National Recovery and Resilience Plans and identification of conditions for a successful use of this method in ESF+ Programmes

Final report

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Abstract

This study maps measures within the National Recovery and Resilience Plans (RRPs) of 12 EU countries and explores conditions for their successful adaptation to be funded as financing-not-linked-to-costs (FNLC) schemes for the European Social Fund Plus (ESF+). Most of the reviewed RRP measures covering ESF+ objectives – including employment, education, skills, social inclusion, and health – align with many CPR and ESF+ requirements. They specify programme objectives, results to be achieved, indicators to measure those results, timeline, and mechanisms to verify their achievement, providing inspiration for FNLC design under the ESF+. Nevertheless, the logic for issuing payments under the RRF differs from the ESF+. Furthermore, authorities responsible for implementing RRP measures identified the need for more clarity on the auditing requirements applied for FNLC models to avoid tracking both the costs incurred and results achieved.

Despite perceived challenges, Member State authorities overwhelmingly expressed a favourable view towards performance-based financing, suggesting its potential for more effective public fund utilisation. Drawing on lessons learned, the report proposes specific design elements to mitigate the risks of non-payment associated with FNLC models, which would encourage their wider adoption under the ESF+. It concludes with the presentation of three practical examples of FNLC models that were developed drawing inspiration from the RRF.

Executive summary

Rationale

This report presents the findings of the study on the mapping of performance-based schemes in the national Recovery and Resilience Plans (RRPs) and identification of conditions for a successful use of this method in the European Social Fund Plus (ESF+) Programmes. **The objective of this study is to identify RRP measures – measures funded through the Recovery and Resilience Facility (RRF) – that can be used as an example for similar measures to be potentially included in the ESF+ programmes in the future**, covering the ESF+ policy areas of employment, education and skills, social inclusion, material deprivation, and health. To this end, the report:

- assesses the extent to which RRP measures would satisfy the requirements for ESF+ financing-not-linked-to-costs (FNLC) models outlined in the Common Provisions Regulation (CPR) as well as the ESF+ Regulation; and
- specifies the necessary design elements for the successful use of FNLC models under the ESF+ drawing on the lessons learned from the RRF, with three practical examples of FNLC models that were inspired by similar RRF measures.

Methodology

The research team scanned the RRP of all EU Member States to arrive at a selection of 12 RRP for in-depth analysis, including Belgium, Bulgaria, Croatia, Denmark, France, Italy, Lithuania, Poland, Portugal, Romania, Slovakia, and Spain. The selection included those RRP with a high number of relevant measures for the ESF+ and was diverse in terms of country geography and size. Additionally, the selected countries had their Operational Arrangements published, which included crucial details on the design of the measures included in their RRP, and some already had at least one RRF payment issued to them.

The RRP of the selected countries were reviewed and information about the measures included therein compiled in **Annex 1, which serves as a rich resource for the ESF+ managing authorities seeking inspiration for the design of FNLC schemes**. Annex 1 also provided the basis for the analysis regarding the extent to which RRP measures would meet the legal requirements for FNLC schemes outlined in the CPR and the ESF+ Regulation.

Desk research was complemented with interviews with the national authorities who were responsible for the design and/or implementation of the RRP measures reviewed. The goal was to identify lessons learned which could be applied for the development of FNLC models under the ESF+.

Insights from both desk research and interviews were used to develop preliminary study findings and draft illustrative FNLC models using existing RRF measures. The models were submitted for feedback to ESF+ managing and audit authorities during a workshop, attended by representatives from 23 EU countries. Their feedback was incorporated into the final study results.

Findings

Many of the relevant measures in the RRFs reviewed would meet most of the CPR and ESF+ requirements. To start with, they indicate the primary objective and description of the programme. The objectives are most often **intersectional**, meaning that they fall within more than one topic area of relevance to the ESF+. Among the measures covering only one topic area, milestones and targets aimed at enhancing **education and skills dominate, followed by health, social inclusion, and employment. Measures to address material deprivation** – using the definition outlined in the ESF+ Regulation – are however missing as this was not the primary goal of the RRF.

Furthermore, as required for ESF+ FNLC models by Article 95(1) of the CPR, all RRF measures specify what results have to be achieved and what indicators will be used to track progress. Although the RRF is often cited as being performance-based, **indicators that track results (as opposed to outputs or inputs) are the least prevalent** among the plans considered. Indicators based on outputs and inputs are less risky for the Member States to implement, easier to track, easier to associate with the funding spent, and can be achieved in a limited amount of time. However, result indicators ensure that funding contributes to advancing key EU objectives. As a result, **a combination of output and result indicators could be considered when designing the FNLC schemes in the ESF+**, with more financial weight put towards achieving outputs than results. Assigning greater financial emphasis to output achievements serves as an incentive for Member States to adopt FNLC more widely. With more experience, Member States could gradually transition to setting results-based targets. Additionally, roughly a third of the milestones and targets included in the RRFs reviewed are intermediary deliverables, which guarantee at least part of the payment even if the ultimate result is not achieved, thus reducing the risk associated with non-payment under the FNLC.

Further in line with CPR and ESF+ requirements for FNLC models, **all measures reviewed specify verification mechanisms to ascertain that results have been achieved.** This has allowed the team to compile a list of relevant documents which could be considered by ESF+ managing authorities when designing FNLC schemes. Nevertheless, RRFs provide less information on the institutions which should carry out verification checks, when they should be carried out, and how the data should be stored. These considerations need to be clearly specified ex ante when preparing FNLC schemes based on existing RRF measures under the ESF+.

FNLC schemes hold the promise to reduce administrative burden compared to traditionally-financed programmes, but this can be accomplished if the Member States track information only on the results achieved and not also on the actual expenditure incurred. Member States implementing the RRP tracked both data to prove the results and evidence of costs incurred. This choice was primarily motivated by the lack of clarity of requirements posed by audit authorities for RRP measures, emphasising the need for additional guidance or training on audit requirements in the context of FNLC. To reduce the administrative burden further, additional training on how to define and track results and conditions for reimbursement, as well as capacity building of all stakeholders involved may be needed. This will hopefully lower the need for lengthy informal discussions on the set-up of the overall FNLC scheme, including whether the results were achieved once the scheme is implemented. To that end, the report showcases three FNLC models, which incorporate the lessons learned.

The national authorities commended the RRF for creating incentives to focus on structural issues and Country Specific Recommendations, arguing that cohesion policy funds could be spent more effectively if the results focus was adopted. This signals an appetite for FNLC schemes to be incorporated into the ESF+ programmes more broadly. However, under FNLC, funds that Member States invest before receiving any payment from the Commission may not be recovered if results are not achieved. This risk discourages Member States from applying for FNLC funding under the ESF+ more often. To reduce the risk, certain elements can be incorporated into the FNLC scheme design, including:

- **precisely defining conditions to be fulfilled or results to be achieved;**
- **foreseeing some flexibility to amend these results during the course of the programming period;**
- **specifying indicative deadlines in addition to final deadlines;**
- **balancing output-based indicators to track results with results indicators;**
- **associating more of the payment with indicators that entail lower risk at least until Member States gain more experience with the FNLC reimbursement method;**
- **establishing clear monetary consequences for failing to achieve reimbursement conditions or results;**
- **involving audit authorities in the design process.**

Finally, making FNLC (at least partially) mandatory could be a way to further promote result-based funding under the ESF+.

1. Introduction

This report presents the findings of the study on the mapping of performance-based schemes in the national Recovery and Resilience Plans (RRPs) and identification of conditions for a successful use of this reimbursement method in the European Social Fund Plus (ESF+) Programmes. The objective of this study is to identify RRP measures – measures funded through the Recovery and Resilience Facility (RRF)¹ – that can be used as an example for similar measures to be potentially included in the ESF+ programmes in the future, covering the areas of employment, education and skills, social inclusion, material deprivation, and health.

To achieve this objective, RRP of 12 diverse European Union (EU) Member States were selected for in-depth analysis. Based on the selection, a database was built outlining all measures in the 12 RRP of relevance to the ESF+, including information about their content, milestones, targets, authorities responsible, verification mechanisms, etc. The database is available in Annex 1.

The information was then synthesized to provide a comprehensive overview of RRP measures relevant to the ESF+, with a particular focus on the application of financing not linked to costs (FNLC) reimbursement methodologies. The research team assessed how performance-based financing was implemented across the RRP studied in-depth, mostly relying on interviews with Member State authorities in charge of designing and implementing the RRF measures. The interviews, together with an additional literature review, helped identify the conditions and obstacles for successful use of FNLC reimbursement schemes inspired by the RRF measures for the ESF+ programmes in the future. Preliminary insights were discussed with ESF+ managing and auditing authorities at a workshop dedicated to discussing how RRP measures could be adapted to serve as FNLC models under the ESF+.

The report is structured as follows. First, the study methodology is briefly presented. Second, the key terms are discussed, given the confusion about performance-based financing in the literature, followed by the study findings. These findings are organized into two sections: the initial one explores the extent to which RRP milestones and targets align with the requirements in the Common Provisions Regulation (CPR)² and ESF+³ Regulation. The subsequent section shifts focus to the design of FNLC schemes,

¹ European Commission (n.d.). Recovery and Resilience Facility. Available at: https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility_en

² Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060>

³ Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32021R1057>

providing insights into perceptions of administrative burdens associated with FNLC measures, delving into the key lessons learned concerning the design of FNLC schemes, and concluding with the presentation of specific examples of FNLC models inspired by RRP for the purposes of the ESF+.

2. Methodology

The study relied on desk research, interviews and a literature review to compile and analyse information regarding measures of relevance to the ESF+ included in the RRP. Preliminary study insights were then discussed during a workshop with ESF+ managing and audit authorities.

2.1. Desk research

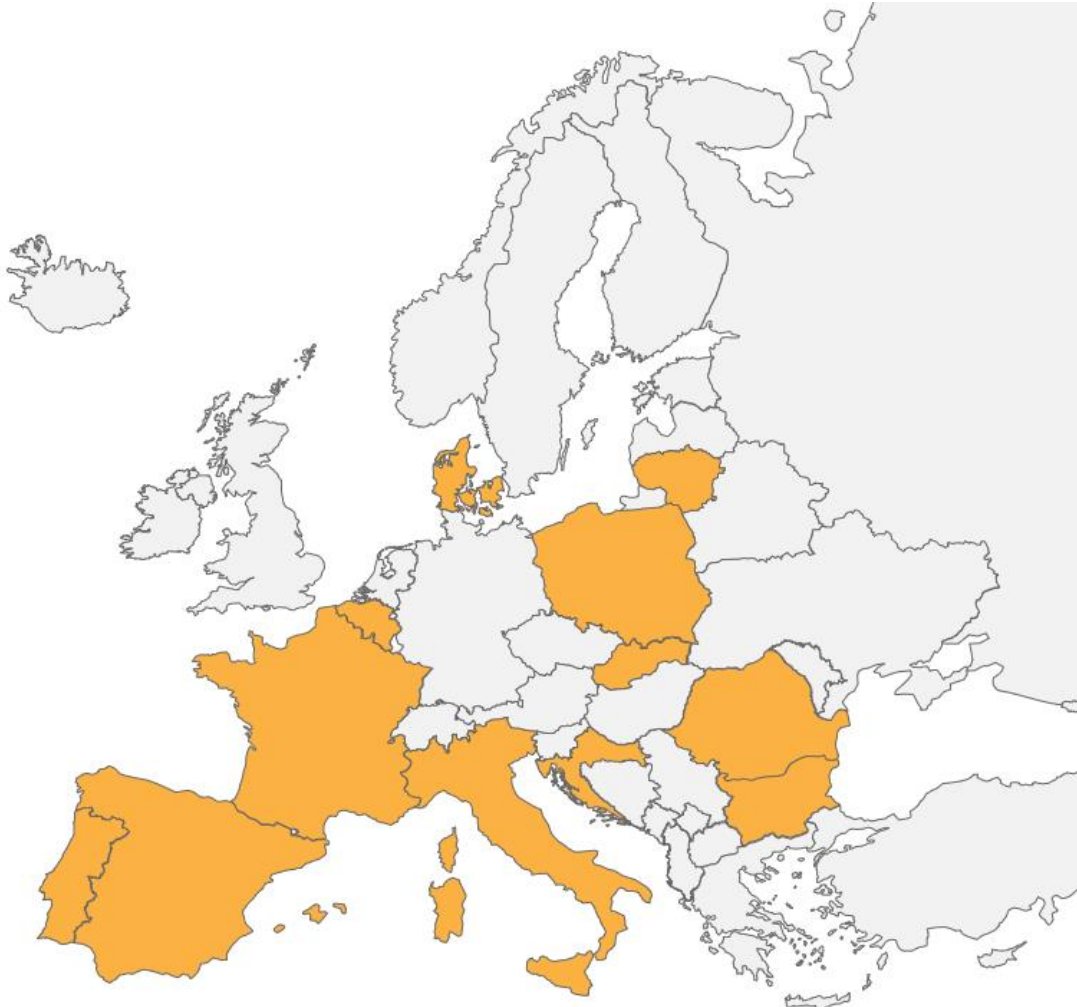
To study RRF measures relevant to the ESF+, the research team selected 12 RRP for in-depth analysis. The selection was based on the following criteria:

1. The selected RRP had to include the highest number of relevant measures, milestones and targets for each topic area covered by the ESF+. To assess this criterion, the RRP of all EU Member States were scanned and classified by topic area.
2. The selection aimed to ensure geographic diversity within the EU, also capturing Member States which offer different social services.
3. The selection also aimed to ensure differences in terms of size of the Member State. Tracking the outcomes of the measures can be more challenging across larger geographies, both because of dispersion of beneficiaries, and because of the need to combine data from multiple regional registries.
4. The RRP should have had Operational Arrangements⁴ already published at the time of the selection. The Operational Arrangements contain relevant information for the mapping exercise that may not be readily available in the RRP themselves.
5. At least some of the countries selected should have already had payments disbursed by the European Commission, so that it would be possible to assess the experience of getting requests for payment approved.

⁴ This can be found in the 'Operational Arrangement' tab for each Member State on the following web page: https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en#national-recovery-and-resilience-plans.

The criteria resulted in the selection of the following EU Member States for in-depth analysis: Belgium, Bulgaria, Croatia, Denmark, France, Italy, Lithuania, Poland, Portugal, Romania, Slovakia, and Spain (see the figure below).

Figure 1. Countries whose RRP were studied in-depth



Source: own elaboration.

Following the selection, an Excel data collection template was developed to gather data about the milestones, targets, verification mechanisms, timeline, evaluation, etc., for each measure included in each country's RRP. The resulting database can be found in Annex 1. To compile the data, the research team reviewed the selected RRP and accompanying documentation, such as the Council Implementing Decisions and the Commission Staff Working Documents for each RRP,⁵ Commission decisions on the

⁵ Including the information in the Annex of the Council Decisions. These can be found in the 'Assessment of the Recovery and Resilience Plan' tab for each Member State on the following web page:

authorisation of payments, as well as the Operational Arrangements between the European Commission and the individual Member States.⁶

2.2. Interviews

The findings presented in this report also rely on 18 interviews conducted with Member States' representatives. These include both national RRF authorities as well as employees of agencies and ministries directly responsible for the design and implementation of RRP measures. Whenever possible, government representatives with experience working on both the RRF and the ESF+ were interviewed, so that relevant lessons could be drawn from the RRF for the ESF+. Interviews were arranged with representatives from all countries selected for analysis except for Denmark and Italy due to the unavailability of interviewees. Information was supplemented with insights from 45 interviews that were carried out separately for the purposes of the evaluation of the RRF, which was taking place in parallel.

2.3. Literature review

Desk research and the interview programme were complemented with a literature review, which focused primarily on the RRF. Specifically, several European Court of Auditors (ECA) reports were reviewed if they covered the RRF, along with published or ongoing studies by other research institutes.⁷ Additionally, RRF and the ESF+ Regulations were explored in detail to understand the different requirements of the two funds. Finally, the report relies on the broader literature about results-based financing and FNLC specifically.

2.4. Workshop with ESF+ managing and auditing authorities

To validate preliminary study findings and gather feedback on the proposed FNLC models, a workshop with ESF+ managing and audit authorities was held online in October 2023. There were 44 participants, including 24 managing and 13 audit authorities, representing 23 EU countries. After a short presentation of the study findings followed by a Q&A session, participants were split into seven groups. Each group was

https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en#national-recovery-and-resilience-plans

⁶ This can be found in the 'Operational Arrangement' tab for each Member State on the following web page: https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en#national-recovery-and-resilience-plans

⁷ For example, the ongoing mid-term evaluation of the RRF currently prepared for DG ECFIN as well as Bruegel analyses (for instance, see: <https://www.bruegel.org/dataset/european-union-countries-recovery-and-resilience-plans>)

assigned one FNLC model designed during the study, which was discussed following a structured discussion guide. The feedback from these sessions was used to refine study findings and FNLC models.

3. Terminology

Although different forms of **performance-based financing** – also referred to as results-based financing, pay for success, pay for performance, outcomes-based payments, or outcome contracts – have been used to fund government interventions starting already in the 2000s, no standard terminology has been established to refer to the different types of results-based financing models.⁸ The following section, therefore, defines the terms used in this study, simultaneously providing a broad overview of the structure of RRP and how these differ from the ESF+ programmes.

Performance-based financing is a payment method under which payments are disbursed only if results that were agreed upon in advance are achieved.⁹ This type of payment mechanism comes in contrast to ‘traditional financing’, i.e. funding which is disbursed based on the cost of the intervention, also referred to as **expenditure-based financing**. For example, in traditional financing, an employment agency would receive a payment based on the actual cost of delivering a set number of trainings; in performance-based financing, the same employment agency would, for example, receive a payment based on a pre-agreed number of people that found a job following the training.

Financing not linked to costs (FNLC) – one of the ways to fund interventions under the ESF+¹⁰ – is sometimes used interchangeably with performance-based financing. While they may overlap, the two concepts are not the same. Specifically, performance-based financing is used only if financing is conditioned on the achievement of results; according to Article 51 of the Common Provisions Regulation (CPR), FNLC is based on the:

- fulfilment of conditions; or
- the achievement of results.

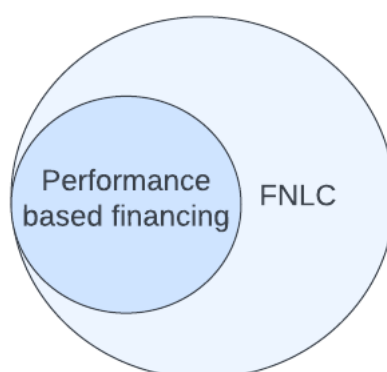
⁸ Klimavičiute L., Chiodo V., De Pieri B., Gineikyte V. (2021). *Study on the benefits of using social outcome contracting in the provision of social services and interventions – a cross-country comparative assessment of evolving good practice in crosssectoral partnerships for public value creation*. Luxembourg: Publications Office of the European Union, 2021.

⁹ Sida (2015). *A methodological introduction. Results based financing approaches (RBFA) – what are they?* Sida. Retrieved from: <https://www.sida.se/contentassets/1b13c3b7a75947a2a4487e2b0f61267c/18235.pdf>

¹⁰ Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy.

Given that the CPR does not provide an additional definition of ‘conditions’, FNLC can technically be used to finance not only results, but also inputs, outputs and qualitative achievements, as long as the payments for them are not based on the actual costs incurred. Instead, for example, they may be connected to the savings generated by interventions, the costs of similar interventions, expert judgement, historical data, etc. FNLC, therefore, is a broader term than performance-based financing (see the figure below).

Figure 2. Relationship between performance-based financing and FNLC



Source: own elaboration.

Based on the definition set out above, the funding instrument in the RRF is closer to FNLC than performance-based financing because **targets** – quantitative achievements toward a pre-defined **reform** or **investment** (combined also referred to as **measures** in the RRF) – include inputs, outputs and results (see Section 4.2). The RRF also funds **milestones**, understood as qualitative achievements. **Verification mechanisms** are types of proof to be provided as evidence that milestones and targets have been achieved.

4. Assessing RRP measures for CPR and ESF+ compliance

This chapter explores the extent to which the identified RRP measures align with the requirements of the CPR and the ESF+. The rationale for this exercise was to assess how much RRP measures would have to be adapted if similar measures were submitted for funding under the ESF+ FNLC reimbursement method.

Article 95(1) and Annex V of the CPR outline specific criteria that operations for which reimbursement of Union contribution takes place on the basis of FNLC must meet.

Specifically, according to Article 95(1), FNLC models should contain the following information:

- a. the identification of the priority concerned and the overall amount covered by FNLC;
- b. a description of the part of the programme and the type of measures covered by FNLC;
- c. a description of the conditions to be fulfilled or of the results to be achieved, as well as a timeline;
- d. the intermediate deliverables that trigger reimbursement by the Commission;
- e. quantitative indicators relating to the units of measurements (e.g., number of schools covered by the measure);
- f. the timeline for reimbursement by the Commission and the related amounts linked to the progress in the fulfilment of the conditions or the achievement of results set out *ex ante*;
- g. the arrangement for verification of the deliverables and of the fulfilment of the conditions or the achievement of results set out *ex ante*;
- h. the methods for adjustment of the amounts (where applicable);
- i. the arrangements to ensure the audit trail in accordance with Annex XIII, demonstrating the fulfilment or the achievement of results set out *ex ante*;
- j. the envisaged type of reimbursement method used to reimburse the beneficiary or beneficiaries within the priority or parts of a priority of programmes concerned by Article 95 CPR.

Meanwhile, according to Annex V of the CPR, verification of the achievement of the results requires the Member States to:

- describe what document(s) or system will be used to verify the achievement of the units delivered;
- describe what will be checked and by whom during management verifications; and
- describe what arrangements will be made to collect and store relevant data and documents.

Most RRF measures reviewed meet the requirements outlined in points a-e, g and i of Article 95(1), namely: they identify the key priority concerned; describe the programme; specify the conditions to be fulfilled or the results to be achieved with accompanying quantitative indicators and intermediate deliverables (where relevant)

together with the timeline; and specify ways to verify the deliverables and the associated audit trail (see Annex 1 for examples). Each of these points is discussed in the following sections, starting with a **thematic mapping** of measures in the RRFs (requirements a and b), followed by the **types of targets and milestones** included therein (requirements c-e), and the types of **verification mechanisms** specified (requirements concerning points g, i as well as Annex V).

However, the specific amounts associated with each RRF measure (see points a and h) are confidential.¹¹ Thus, while the RRF measures provide a source of inspiration for FNLC models to be financed under the ESF+, they are less useful for estimating how much similar operations would cost.¹² Nevertheless, Section 0 provides an overview of how **costs were estimated and payments issued** under the RRF, highlighting important implications for FNLC models funded under the ESF+.

Finally, requirement f – on the timeline for reimbursements – is not applicable in the case of the RRF because Member States can submit payment requests at any point once the milestones and targets are complete (for which the timeline is specified in each RRF – see Annex 1), twice a year at most. By contrast, when using RRF measures as inspiration for designing FNLC models, authorities should consider and specify when payments will be disbursed for each result included in the FNLC model. Requirement j regarding the reimbursement method is also not applicable under the RRF, as this is governed by the RRF Regulation rather than subject to agreement between the Member State and the European Commission as is the case under the ESF+.

4.1. Thematic mapping

The first step in understanding the extent to which the RRF is relevant to the ESF+ is to identify measures in the RRF that would be eligible for ESF+ funding. The CPR and the ESF+ Regulation define eligibility rules for ESF+ funding. For the ESF+, expenditure related to operations may be allocated ‘to any of the categories of region of the programme under the condition that the operation contributes to the achievement of the specific objectives of the programme.’ These specific objectives include: **employment; education and skills; social inclusion; material deprivation; and health.**¹³

Regarding health, ESF+ should primarily be used to foster the affordability and accessibility of healthcare for socially vulnerable groups and not support general healthcare reforms. Nevertheless, all health-related RRF measures were included in the analysis because many of them could be adapted to focus solely on vulnerable groups.

The CPR and the ESF+ Regulation detail eligible and non-eligible costs for the ESF+, summarised in the table below. Using this information, the RRFs of the countries

¹¹ Nevertheless, this varies by Member State. In some cases, RRFs do specify the overall amounts for a reform or investment, but do not break it down by milestone and target.

¹² This is also the reason why specific cost estimates are not included in sample FNLC models presented in Section 5.3.

¹³ See more particularly Articles 3 and 4 of the ESF+ Regulation.

selected were studied, considering the potential eligibility of every milestone and target falling within the five topic areas mentioned above.

Overall, across the countries studied, the research team identified 785 relevant milestones and targets, across 478 unique measures (given that measures under the RRF often have several milestones and targets). As illustrated in Figure 3, most of the milestones and targets cover more than one relevant topic (257). Of the remaining ones, most concern education and skills (216), followed by health (133), social inclusion (107) and employment (72). The following section provides an overview of the types of measures falling under each topic area, including examples. In doing so, it also shows how the measures meet requirements a and b of Article 95(a) concerning the priority concerned and the programme description. Importantly, upon close inspection, none of the milestones and targets could be classified as falling under the material deprivation topic area (i.e. costs for food or basic material assistance – see the table below).

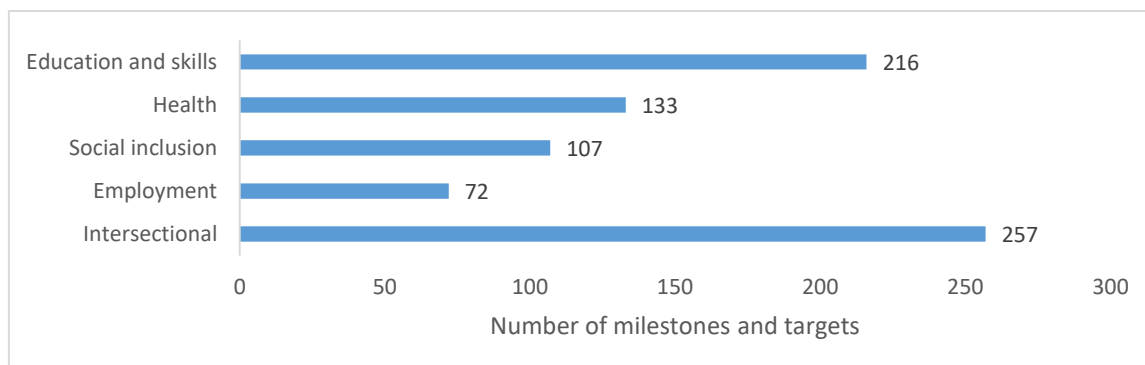
Table 1. Summary of eligibility rules for ESF+ funding

Regulation	Eligible	Not eligible
CPR (2021/1060)	<ul style="list-style-type: none"> On the basis of national rules or Fund-specific regulations (ESF+ Regulation) 	<ul style="list-style-type: none"> Interest on debt Purchase of land Value Added Tax (with exceptions)
ESF+ Regulation (2021/1057)	<ul style="list-style-type: none"> Within scope of the ESF+ topics (employment, education and skills, social inclusion, material deprivation, health) Contributions in kind or salaries disbursed by third parties (when in accordance with national laws) Direct staff costs (when in line with usual remuneration, applicable national law and official statistics) Costs for food and/or basic material assistance to address material deprivation 	<ul style="list-style-type: none"> Purchase of land and real estate, as well as infrastructure Purchase of furniture, equipment and vehicles (with exceptions) For material deprivation: <ul style="list-style-type: none"> Interest on debt Purchase of infrastructure Costs of second-hand goods

Source: own elaboration based on CPR (2021/1060) and ESF+ Regulation (2021/1057).

Note: the CPR eligibility rules also apply to other funds, in addition to ESF+, including: European Regional Development Fund (ERDF), Cohesion Fund, Just Transition Fund (JTF), European Maritime, Fisheries and Aquaculture Fund (EMFAF), Asylum and Migration Fund (AMIF), Internal Security Fund (ISF), Border Management and Visa Instrument (BMVI).

Figure 3. Number of milestones and targets across RRP studied which would be eligible for ESF+ funding, by topic



Source: own elaboration based on Operational Arrangements accompanying selected RRP.

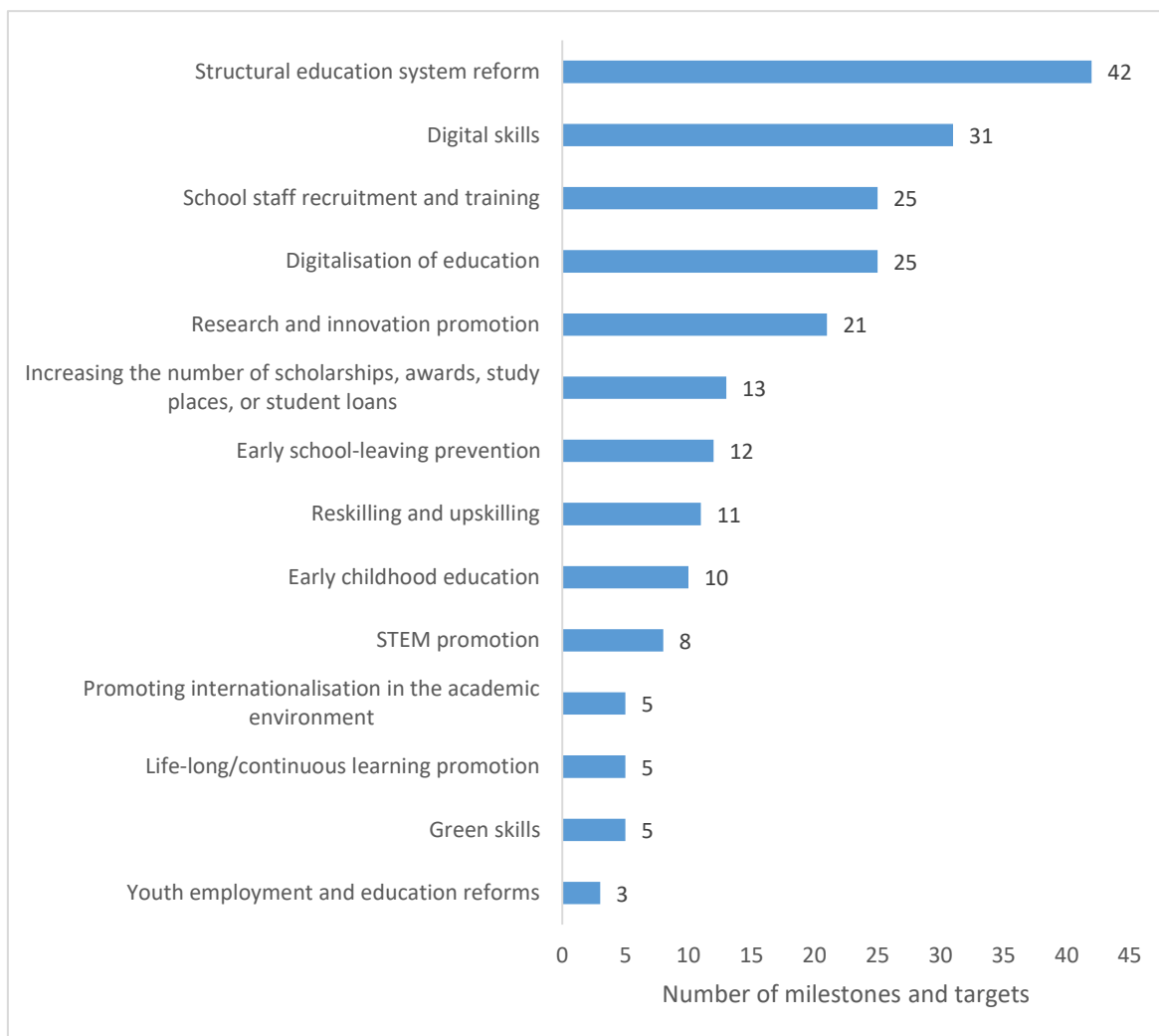
4.1.1. Education and skills

To provide an overview of the types of RRF measures that are relevant for the ESF+ education and skills objective, the research team categorised individual milestones and targets into more detailed sub-topics. The results of this exercise are provided in Figure 4. Often, milestones and targets are relevant to more than one sub-topic. All relevant sub-topics are presented in Annex 1, though for simplicity’s sake and to avoid double-counting, only the most relevant sub-topic per milestone and target is shown in the figure below.

The most prevalent education measures included in the RRP concern what could be considered **structural education system reforms**. These are wide-ranging reforms usually implemented through legislative changes to improve the quality of education systems. For an illustration, please see Box 1, which describes how the management of higher education institutions was reformed in Slovakia.

Such reforms are an example of FNLC: the cost of passing the law was usually neither considered nor tracked when deciding on the payment associated with the milestone (for details on the payment methodology, see Section 4.4). While these types of reforms are not traditionally funded under the ESF+, all interviewees stressed the funding of these reforms as beneficial (see Section 5.2 for details), so their inclusion into the ESF+ programmes as FNLC measures could be considered.

Figure 4. Milestones and targets related to education and skills, by sub-topic



Source: own elaboration based on Operational Arrangements accompanying selected RRP

Box 1. Example of a structural education system reform

The reform of the management system of higher education institutions, Slovakia

- The objective of the reform, as well as of the milestone itself, is to strengthen the governance framework of higher education institutions by shifting some managerial and financial duties from the academic senate to the board of directors and the rector, while preserving the schools' autonomy and freedom of science. Previously, academic senates had significant influence in appointing university leaders which limited the strategic decisions rectors and boards could make. The reform allows higher education institutions to freely decide on their internal structure which provides for more flexibility in adapting it to their particular needs. Finally, the reform removes the existing restrictions related to the educational background of candidates applying for lecturer and

professor positions, thus improving equal opportunities for candidates regardless of their professional background or level and/or country of origin, while maintaining quality standards.

Source: Preliminary assessment of the first RRF payment for Slovakia.¹⁴

The second most frequently encountered sub-topic within education and skills topic area concerned **digital skills**. This is not surprising given the ongoing policy emphasis on the twin transition and the fact that at least 20% of spending under each RRP must have been dedicated to the digital transformation. Both milestones and targets were developed to promote the development of digital skills, as illustrated in Annex 1. Perhaps more surprising is that green skills were explicitly mentioned in RRP significantly less often than digital skills (5 milestones and targets for green skills vs 31 for digital) even though 37% of each plan's total allocation were dedicated to measures contributing to climate objectives. In part, this may be due to the methodology applied during the classification exercise: if descriptions of milestones and targets did not explicitly mention green skills, but referred to skills more generally, they were assigned the 'reskilling and upskilling' tag, so some of these measures may be relevant to green skills as well. Box 2 provides several examples of targets associated with green skills for inspiration of similar targets which could be included in the ESF+ programmes.

Box 2. Examples of targets associated with green skill development.

- According to **Croatia's** RRP, 500 persons shall complete adult education programmes for post-earthquake renovation and energy renovation by the second quarter of 2026. The programmes will be certified by Public Open University Zagreb, Croatia Employment Service, or other relevant bodies. As evidence of the target achieved, the authorities will provide a summary document, which will include as annex a spreadsheet with an anonymised list of 500 participants, and for each of them: a unique identifier; type of the completed study/programme; and institution that certified the study/programme. On the basis of a sample that may be selected by the Commission, the following documentary evidence will be submitted for each of the selected candidates: official certificate proving that this candidate has completed the study/programme; the specifications in line with the requirements of the training, including the hours completed and areas; and the focus of the training.
- According to **Romania's** RRP, at least 8,000 specialists and workers in the construction sector will have obtained a short-time course certification for the completion of energy-efficiency-related trainings by the end of 2023.

¹⁴ European Commission (2022). *Positive preliminary assessment of the satisfactory fulfilment of milestones related to the first payment request submitted by Slovakia on 29 April 2022, transmitted to the Economic and Financial Committee by the European Commission*. Available at: https://commission.europa.eu/system/files/2022-06/c_2022_4529_1_annexe_en.pdf

Verification mechanisms of the target achieved are broadly similar to those outlined in the previous bullet point and are available in Annex 1.

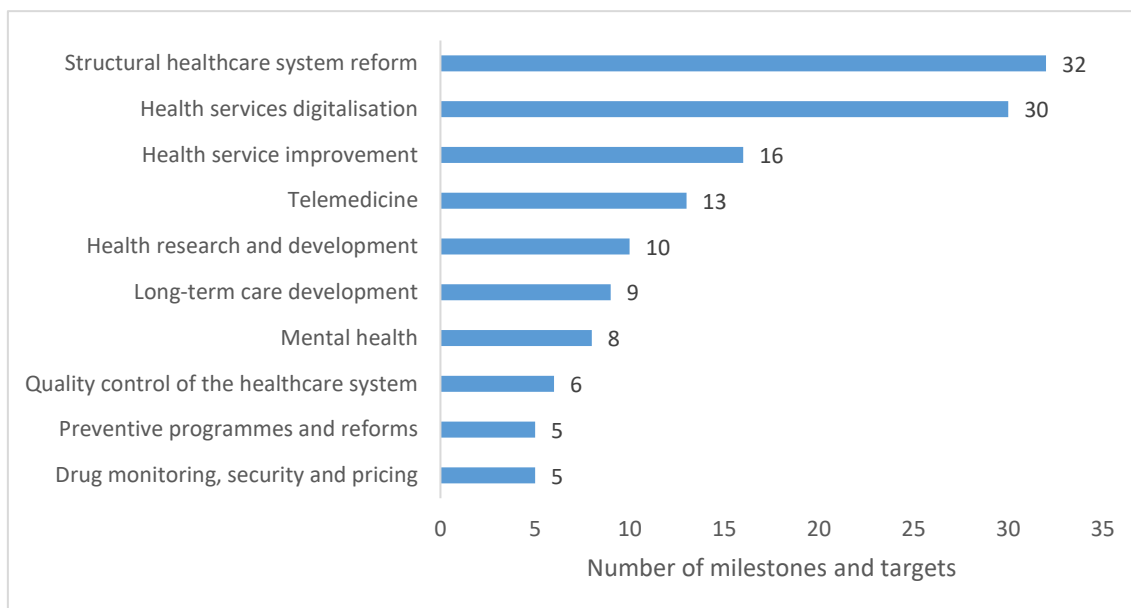
Source: own elaboration based on the Operational Arrangements accompanying the RRP of Croatia and Romania.

Other popular education measures included in RRP concern the **recruitment and training of school staff, digitalisation of education** (e.g. transforming schools through digital technology, adopting ICT frameworks, implementing digital education reforms, etc.), and **promotion of research and innovation**. A fair number of measures aim to **increase the number of scholarships, awards, study places or student loans**. Other measures refer to **upskilling and reskilling, early childhood education, and STEM promotion**. Meanwhile, the focus on life-long learning and internationalisation of education are less common. For details on these types of interventions, please refer to Annex 1.

4.1.2. Health

Similarly as with education and skills, most of the milestones and targets in the health domain across the analysed RRP concerned **structural healthcare system reforms**, followed by **health services digitalisation** and **health service improvement** (see Figure 5). While structural healthcare system reforms largely concern legislative amendments or entry into force of new laws, Box 3 showcases a different type of milestone, namely, the adoption of the National Health Development Plan 2021-2027 in Croatia. It illustrates that in the context of the RRF, reforms are understood as broad measures, encompassing several milestones and targets. Strategies and national plans to improve health services, including their management and funding were also identified in other countries. While target values in the ESF+ programmes for expenditure-based interventions are quantitative, the prevalence of qualitative indicators in the RRF suggests that the inclusion of qualitative goals could be considered in the context of the ESF+ as well with the help of FNLC models.

Figure 5. Milestones and targets related to health, by sub-topic



Source: own elaboration based on Operational Arrangements accompanying selected RRP.

Box 3. Example of a milestone that is a first step in the development of other milestones and targets

Adoption of the National Health Development Plan 2021-2027, Croatia

- Adoption of the National Health Development Plan 2021-2027 is the initial step to create a strategic human resources management system in health. It sets out specific objectives, measures, and activities to improve the health system and the health outcomes. The plan contains targets concerning specialist medical training and outline the health reform. The reform is implemented through legislation described in another milestone on ensuring the financial sustainability of the health system. According to Commission’s evaluation of the milestone accompanying its approval, the National Plan is aligned and coherent with the European Commission’s Cohesion Policy Guidelines for 2021-2027, national strategies and sectoral plans, also considering recent CSRs (Country Specific Recommendations).
- As proof for the achievement of the milestone, a summary document was provided duly justifying how the milestone was satisfactorily fulfilled, a copy of the adopted National Health Development Plan 2021-2027 and a link to the Official Gazette (NN 147/2021). Although not set out in the Operational Arrangements, the authorities also provided the Action Plan for Health Development 2021-2025, Decision adopting the National Health Development Plan 2021-2027, National investment portfolio in health and long-term care 2021 – 2027, and a Mapping of health investment requirements.

Source: own elaboration based on the Operational Arrangements accompanying Croatia’s RRP.

Some of the sub-topics mentioned in Figure 5 require elaboration. For example, while the digitalisation of health services could, in itself, be considered a health service improvement, the latter tag was assigned to milestones and targets which considered improvements in specific fields of health (e.g. oncological care, primary care, etc.) or concern a roll-out of new services (e.g. hotlines, the establishment of therapy centres, etc.). Similarly, the introduction of telemedicine services could have been included together with other efforts to digitalise healthcare but given the high number of such milestones and targets encountered (13), it warranted a sub-topic of its own. The high number of telemedicine milestones and targets found across RRP is not surprising given both the COVID-19 pandemic and the strive to improve healthcare accessibility in rural regions in the context of urbanisation. This sub-topic also includes efforts to increase treatment at home.

Mental health is worth mentioning as well as it is the only specific illness category (as opposed to infectious diseases, neoplasms, etc.) with a large enough number of milestones and targets to be separated out into a sub-topic. Again, this responds to the deterioration in mental health over time, including in the fallout of the pandemic. Several targets are presented for illustration in Box 4.

As illustrated in the box below, the targets associated with mental health do not concern individual people. Whereas in other topic areas associating targets with the number of individuals helped is more prevalent (for example, see Box 2), this is not the case in the health domain, most likely due to data collection issues as it pertains to individuals' health (see also Section 5.1 regarding the impact assessment performed in Spain on the permissibility of collecting such data). More commonly, health targets concern the number of hospitals improved, projects launched, new beds introduced, regions covered by a particular service, etc.

Box 4. Examples of targets aimed at improving mental health

- To **strengthen Madeira's Regional Health Service**, the RRP of Portugal includes a target to set up 11 community mental health teams by the second quarter of 2026. To justify the achievement of the target, a summary document justifying how the target (including all the constitutive elements) was fulfilled will be submitted. The document will include as an Annex the following documentary evidence and elements:
 - List of Community Mental Health Teams set up and a brief description of their initiatives and activity plans.
 - Report demonstrating the extent to which the response capacity of Madeira's regional health service in the field of mental health and dementias associated with ageing has been strengthened through the creation of community mental health teams.

- To **modernise diagnostic methods and treatments**, Slovakia's RRP seeks to establish a digital register of psychodiagnostic methods. Of the overall objective of 125 new and updated standardised methods, standardisation shall be provided for 112 methods, to be selected by an expert group. To verify the achievement of the target, a summary document will be prepared, justifying how the target (including all the constitutive elements) was fulfilled, with appropriate links to the underlying evidence. This document will include as an annex the following documentary evidence:
 - Overview of psychodiagnostic methods included in the register;
 - Report of the expert group supporting the selection of the psychodiagnostic methods;
 - Certificate signed by the competent authority confirming the functioning of the digital register.

Source: own elaboration based on the Operational Arrangements accompanying Portugal's and Slovakia's RRP.

Even when people are counted as part of the target, the verification mechanisms refer to aggregate statistics rather than micro-data. For example, Italy aims to increase the number of people treated in home care to reach 10% of the population over 65 (an estimated 1.5 million people in 2026). To reach that objective, the plan sets a target to increase the number of people over 65 treated in home care by at least 800,000 within 2026. To verify this target, a copy of the biannual statistical reports will be provided on existing and additional people treated in home care, stratified by Region and Autonomous Provinces with a breakdown by home care solution typology. The Commission will be provided a link to the website where the reports can be accessed.¹⁵ For more information about the types of targets and milestones included across the RRP, please see Section **Error! Reference source not found.**

4.1.3. Social inclusion

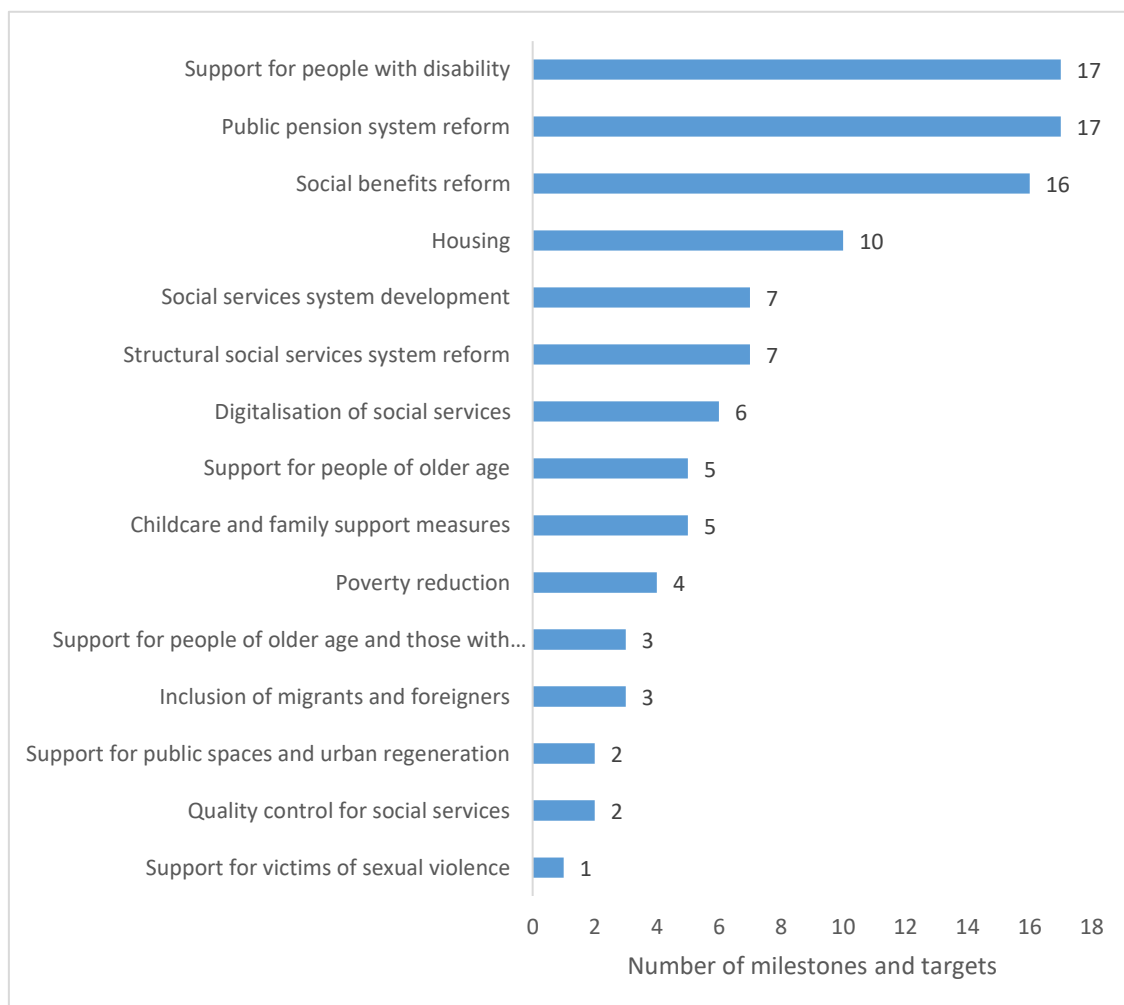
Support for people with disability, public pension system reforms, and social benefits reforms dominate RRP measures aimed at improving social inclusion (see Figure 6), clearly illustrating the link between RRP and Country Specific Recommendations. The true number of milestones and targets covering these sub-topics across the RRP analysed is even greater than illustrated in Figure 6 when intersectional measures, i.e. measures covering multiple topic areas such as social inclusion and employment, or social inclusion and health, are considered (see Section 4.1.5).

¹⁵ Based on Operational Arrangements accompanying Italy's RRP.

Measures to support people with disabilities are operationalised using both milestones and targets. Sample milestones include legal changes, the development of a system to apply for mobility rights, social services improvements, information provision for people with disabilities, calls for proposals for innovative solutions to enhance communication with people with disabilities, transportation standards for people with reduced mobility, establishment of real-time interpretation services for deaf citizens, national strategies for inclusion, and so on. Targets, meanwhile, refer to the number of solutions to facilitate access to digital services for people with disabilities, satisfaction levels of survey respondents receiving relevant services, share of electronic resources accessible to people with visual impairments, number of people supported to live independently or who are no longer institutionalized, number of upgraded community centres, number of relevant projects completed, etc. As such, the targets included in the RRP closely relate to those usually specified in operational programmes for EU funds' investments.

Several milestones and targets have similarly been combined to reform pension systems, as illustrated in Box 5 regarding Croatia.

Figure 6. Milestones and targets related to social inclusion, by sub-topic



Source: own elaboration based on Operational Arrangements accompanying selected RRP.

Box 5. Milestones and targets aimed at reforming the pension system in Croatia

- The first milestone in the **Croatian public pension system reform** is the adoption of the first round of amendments to the Pension Insurance Act, with a deadline set to Q1 2023. These amendments are aimed at increasing the minimum pension and the pension factor used to calculate the amount of the survivor's pension. It will make it possible to use part of the survivor's pension in addition to a personal pension (old/invalidity) under conditions related to age and income, for lower income pensioners.
- The milestone above is associated with a specific target to increase the survivor's pension between 10% and 15% overall in relation to 2014 levels by Q1 2025.
- Additionally, by Q1 2024, the government is committed to adopt the Conclusions on Acceptance of the Report on cost-effectiveness analyses of compulsory pension funds' investments in state-owned enterprises. The report will contain expert analyses endorsed by the government to determine whether a change in the legislative framework in the form of capitalised savings is necessary in order to increase pension adequacy under the 2nd pension pillar.
- By the end of 2025, the government of Croatia plans to adopt a second round of amendments to the Pension Insurance Act. A Working Group shall be set up to analyse the situation of the pension system and discuss further options for improving its adequacy and sustainability. It shall be comprised of social partners, pension associations, academia, specialised consultants and other interested stakeholders. The Conclusions and recommendations of the Working Group shall be taken into account to the greatest extent when amending the legislative framework, which shall be subject to public consultations.
- The goal of the milestones cited above is to increase the minimum pension by at least 3% in real terms (i.e. in excess of the regular indexation) compared to 2020.

Source: own elaboration based on Operational Arrangements accompanying Croatia's RRP. For verification mechanisms associated with each milestone and target, please refer to Annex 1.

A large number of measures targeted at people with disabilities, pension systems and other social benefits explain why the number of structural social services reforms – reforms aimed at changing social service provision as a whole rather than focusing on one specific service or group of beneficiaries – are more limited for social inclusion compared to other topic domains (see the previous two sections of the report). A structural social services reform in Spain, for example, concerns a new law which will separate sources of social security financing. Similarly, a new Social Welfare Act in Croatia will introduce changes regarding housing and heating allowances; increase the

Guaranteed Minimum Benefit for households with children; introduce a new social mentoring service and reform long-term care; and ensure exchange of information between institutions providing social benefits and social services. As such, structural social services reforms are broader than those in other sub-topics.

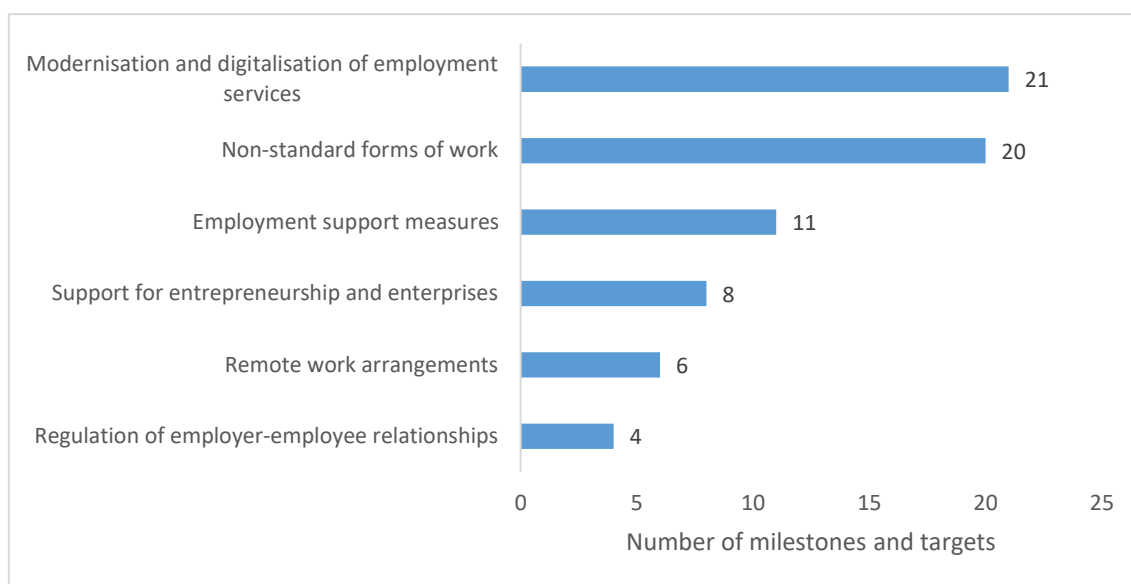
Structural social services reforms are closely related to the sub-topic on social services system development (see Figure 6). Nevertheless, while the former introduces substantial changes to social services, the latter concern more gradual improvements regarding services of limited scope. An example is the National Map of Social Services in Bulgaria which will showcase what services are available in each region and municipality, and the number of beneficiaries for each of them. Better utilisation of confiscated assets from organized crime for the purposes of social inclusion in Italy is another example.

The RRP studied also include measures on other sub-topics like support for victims of sexual violence, quality control for social service provision, support for urban regeneration, inclusion of migrants and foreigners, etc., although such topics were encountered less frequently. Nevertheless, Annex 1 contains detailed information about these measures, too, which may be useful for the ESF+ managing authorities considering how such measures could be designed if they were funded using the FNLC model rather than actual costs.

4.1.4. Employment

Of measures covering solely employment (as opposed to employment in combination with other topics, which are discussed in the following section), **modernisation and digitalisation of employment services, measures concerning non-standard forms of work, and employment support measures** are the most prevalent. Other measures provide **support for enterprises to hire unemployed or young people, facilitation of remote work arrangements, and regulation of employer-employee relationships.**

Figure 7. Milestones and targets related to employment, by sub-topic



Source: own elaboration based on Operational Arrangements accompanying selected RRP.

Modernisation and digitalisation of employment services largely follows the same sequential model as the reforms of the pension system illustrated in Box 5. In other words, the countries whose RRP foresees such measures plan a number of sequential targets, milestones, or a combination of the two to improve the functioning of employment services. Types of targets include the number of employment agencies implementing new or digital services, number of new staff recruited or trained, and the share of services that could be accessed digitally. Milestones, meanwhile, are most often legal changes setting out new requirements for employment services regarding their quality, beneficiaries targeted, ways to address the digital and green transition, obligations for firms to publish vacancies through central jobs databases, training provisions and their financing, etc. Additional milestones include contract signatures for the upgrade of employment services (e.g. establishment of new databases, trainings, matching services, etc.) as well as their successful completion.

Most of the measures concerning non-standard forms of work are targeted at reducing undeclared work, illustrated in Box 6 (for additional information, see Annex 1). Other measures in this sub-topic aim at regulating platform work, temporary contracts, and single labour contracts.

Box 6. Milestones and targets about undeclared work and their verification mechanisms in Italy

- In **Italy**, two milestones and two targets have been set to **reduce undeclared work**. The entry into force of the National Plan and an accompanying Road Map to fight undeclared work is the first milestone. The second milestone is the full implementation of the measures foreseen in the National Plan and the Road Map, which will be evidenced with a report on the actions completed within the

first year since the adoption of the National Plan. In addition to the plan itself, the report will contain an explanation of how the key actions foreseen contribute to the objectives of the reform and evidence of the pieces of legislation which have entered into force as foreseen in the National Plan.

Milestones are accompanied by targets. The first target is to increase the number of labour inspections by 20%. The achievement of the target will be proved by providing a list of inspections carried out and an analytical report by the National Labour Inspectorate which describes how the target in percentage terms has been achieved and analyses the data on inspections and sanctions. The second target is to reduce the incidence of undeclared work by at least 2 percentage points by Q1 2026 compared to 2022. Success will be proved with a report by the National Labour Inspectorate containing analysis of the reduction in the incidence of undeclared work in the targeted sectors and following the indicators selected in the National Plan.

Source: own elaboration based on Operational Arrangements accompanying Italy's RRP. For verification mechanisms associated with each milestone and target, please refer to Annex 1

4.1.5. Intersectional measures

As illustrated in Figure 3, while many measures neatly fall under one topic area of relevance to the ESF+, most are intersectional, meaning that they cover more than one topic area.¹⁶ Among these, measures covering **education, skills and employment** are the most prevalent across the RRP considered, totalling 77 milestones and targets. This is followed by measures focusing on **employment and social inclusion** (58), followed by **health and social inclusion** (47). Other combinations are less common.

A large share of intersectional measures cover sub-topics already explored in earlier sections. For example, a measure at the intersection of education and skills as well as social inclusion may be dedicated to digital skills development, but with a special focus on disadvantaged communities. Nevertheless, additional sub-topics were identified as well. These include vocational education reforms as well as actions aimed at aligning education systems with labour market needs for measures at the intersection of employment and education and skills. Wage and employment-related social benefits reforms, labour market inclusivity reforms and labour market support for vulnerable groups are commonly occurring sub-topics among measures covering both employment and social inclusion. Efforts to enhance healthcare accessibility dominate health and social inclusion measures and, similarly, educational support to vulnerable groups tops the list of measures at the intersection of education and social inclusion. Several measures focus on the working conditions and training of healthcare professionals,

¹⁶ Additionally, all RRF measures contribute to more than one RRF topic area (primary and secondary assignment), but in most of the cases, only one of them is relevant for ESF+.

covering health, employment and education domains. Additional details are available in Annex 1.

4.2. Types of targets and milestones

Following a similar process as outlined in the previous section, the research team has constructed typologies for targets and milestones with the goal to illustrate how Member States design their RRP measures, thereby identifying common patterns that recur across different countries. This section also showcases how RRP measures could meet the requirements c, d and e – on results to be achieved, indicators for their measurement, and associated intermediate deliverables – of Article 95(1) of the CPR if they were adapted to be used as FNLC models under the ESF+.

4.2.1. Target categorisation

Targets have been categorized using the Better Regulation Toolbox, which emphasizes the importance of monitoring initiatives throughout their lifecycle (see Box 7).

Box 7. Classification of targets based on their lifecycle according to Better Regulation Toolbox

- **Inputs:** often money and material resources, for example any budget executed, human resources allocated. While inputs can be easily monitored, they give no indication of the outputs or impacts of the initiative.
- **Outputs:** the immediate tangible and countable products/services produced because of the initiative. For regulatory initiatives, outputs will concern their implementation and application. Outputs are directly connected with the operational objectives of the initiative, and hence, they are a reasonable measure of progress. They will be measurable in a short elapse of time (low data lag) and are influenced less by external factors.

Examples: *scholarships awarded, consultancy services developed, standards developed, databases created, labelling requirements implemented, number of SMEs supported, websites created, number of people trained/supported/reached, etc.*

- **Results and impacts:** results match the immediate direct effects of the initiative with particular reference to the direct addressees. If an initiative aimed to support SMEs, a result might be the number of jobs created in the supported SMEs. Impacts concern the long-term wider effects on society, environment, etc., beyond those directly affected by the initiative. The distinction between results and impacts may sometimes be difficult to define, depending on the intervention logic. It is also often challenging to link the initiative to impacts. A variety of factors may be involved, and it could be difficult to differentiate

between correlation, causality and incidental. For impacts, the data lag is higher than for results and even more so than for outputs.

Examples: *Improvement in median income, or an overall increase in employment rate; safety incidents at EU level; tax compliance; innovations/new products generated in the sector; time saved by users of a road; survival rate of businesses; consumption of low fat, low sugar food; mutual recognition of nationally approved products; permissions/derogations granted, etc.*

Source: Better Regulation Toolbox to complement the Better Regulation Guidelines.¹⁷

While the Better Regulation Toolbox suggests monitoring initiatives by considering inputs, outputs, results, and impacts, **the Commission's guidance under the RRF leans towards prioritizing indicators that measure outputs over impacts** to ensure that the milestones and targets can be achieved by 2026. The Commission's guidance¹⁸ to Member States states that:

- milestones and targets...can reflect different stages of the implementation of reforms and investments, either based on input indicators...or preferably output indicators;
- impact indicators...should be avoided given the unpredictability of such indicators and their dependence on other factors outside the control of the Member State.

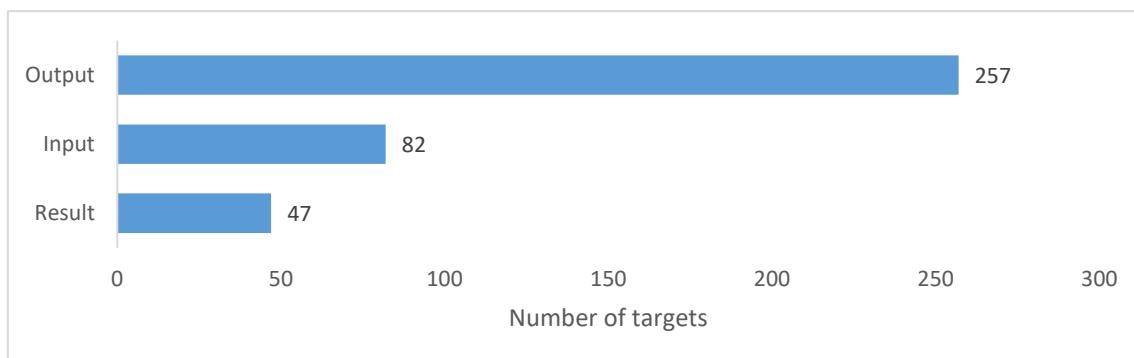
The outcome of the categorization of targets in the RRP considered is presented in Figure 8, illustrating the number of targets by target type. **Most targets (257)** included in the 12 RRPs analysed **refer to outputs**, in accordance with the provided guidance. The remaining targets are split between inputs (82) and results (47). This finding aligns with the European Court of Auditors' Assessment of National Recovery and Resilience Plans.¹⁹

¹⁷ European Commission (2021). *Better Regulation Toolbox, Chapter 5 – Monitoring the application of interventions*. Available at: https://commission.europa.eu/document/download/61a58b0c-2f87-467e-af4b-5eb9d2782391_en?filename=br_toolbox_-_nov_2021_-_chapter_5.pdf p. 359

¹⁸ Council of the European Union (2021). *Commission Staff Working Document Guidance to Member States Recovery and Resilience Plans* - Part. 1. Available at: <https://data.consilium.europa.eu/doc/document/ST-5538-2021-INIT/en/pdf> p. 34

¹⁹ European Court of Auditors (2022). *The Commission's assessment of national recovery and resilience plans*. Available at: <https://www.eca.europa.eu/en/publications?did=61946>

Figure 8. Number of targets across RRP studied which would be eligible for ESF+ funding, by target type



Source: own elaboration based on Operational Arrangements accompanying selected RRP.

There are various types of **output-based targets** across the measures analysed, including numbers of beneficiaries (e.g., number of individuals who received training), the creation of new education places, scholarships granted, number of operational platforms available or services offered, etc. In Italy, for example, a housing measure aims to provide support to 25,000 people living in severe material deprivation for a minimum of six months. In Portugal, as part of the measure Implementing the Regional Strategy for Combating Poverty and Social Exclusion - Social Support Networks, the goal is to establish 207 new places in occupational activities centres for individuals with disabilities.

The **input-based** targets identified across the RRP often refer to the expenditure of **specific amount** of funds, exemplified by Spain's aim to allocate a budget of EUR 670,990,000 to regional and local entities for promoting the First Cycle of Early Childhood Education. Additionally, input indicators are operationalised as **human resources**. For instance, Belgium has set a target to deploy additional teachers, educators, and psychological support staff to support 531 schools.

Lastly, only 47 targets have been categorised as based on **results**, which signify longer-term improvements in the lives of beneficiaries or the overall society. They can be expressed in percentages, like the 2% reduction in the incidence of undeclared work in Italy or the decrease in the share of temporary contracts from 18.1% to 17% in Croatia. Although percentages were most used for results-based indicators, some Member States also defined these targets in absolute numbers, such as the reduction in the number of schools with an elevated risk of dropouts from 2,500 to 1,875 in Romania.

According to the ECA's Special Report,²⁰ using impact indicators under the RRF may be challenging due to their longer time horizon and limited implementation time of the Facility. Furthermore, it is difficult to link interventions to results or impacts without costly evaluation techniques, like randomised control trials. Result-based indicators would therefore make it much riskier for Member States to implement FNLC schemes. However, solely relying on output and input indicators limits the measurement of

²⁰ Ibid.

measure performance and may impact on EU policy objectives. Hence, **a combination of output and result indicators could be considered if FNLC schemes are implemented under the ESF+. Monetary consequences for failing to achieve results should be smaller than those applied for no fulfilment of outputs.** With time, as Member States gain more experience with the FNLC reimbursement method, and grow more confident that results can be achieved, the payment could gradually become more closely related to accomplishing results rather than outputs.

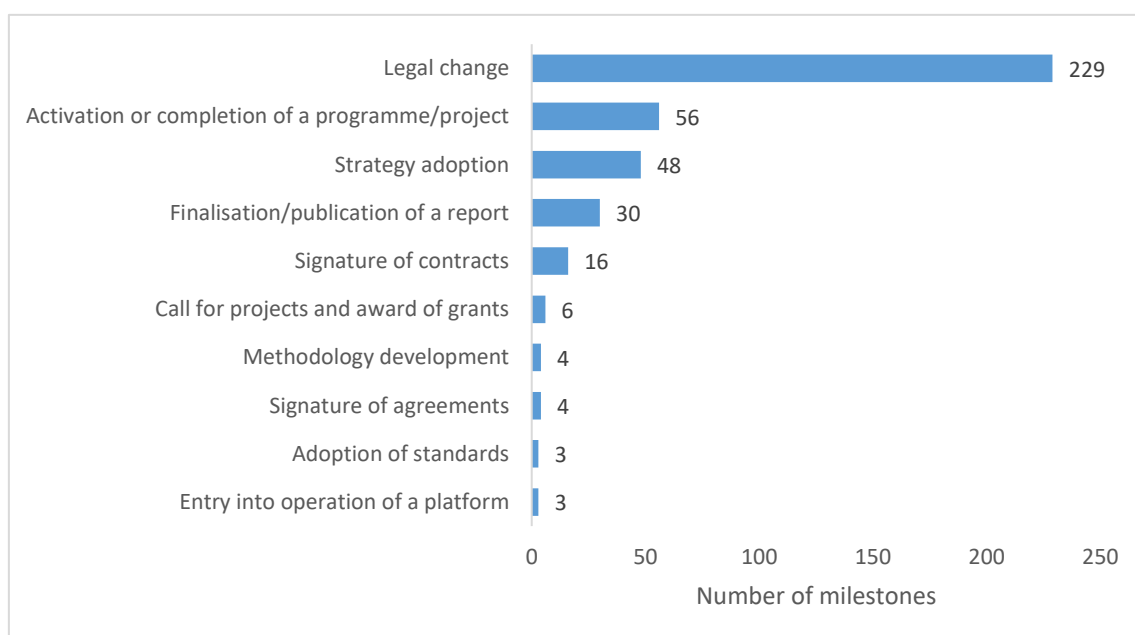
4.2.2. Milestone categorisation

Milestones mark the qualitative achievements of reforms and investments outlined in the RRP. The types of milestones identified in the RRP are summarised in Figure 9.

Given the significant role of reforms within the RRF (refer to Section 5.2 for more details), and because reforms are typically implemented through legislative action, it is not surprising that many milestones (229) are connected to **legal changes**. This category encompasses the entry into force, provision, and amendments of laws, regulations, decrees, frameworks, ordinances, codes, and acts.

A few examples of such legal changes have been previously introduced in the preceding section, as in Box 1, which describes how the management of higher education institutions was reformed in Slovakia through the entry into force of the amendment to Act No 131/2002, or as the Croatian example illustrated in Box 5: the first milestone in the Croatian public pension system reform is the adoption of the first round of amendments to the Pension Insurance Act.

Figure 9. Number of milestones across analysed RRP which would be eligible for ESF+ funding, by type



Source: own elaboration based on Operational Arrangements accompanying selected RRP.

To illustrate the remaining milestone types, the merging of research units in Slovakia's education and research system is an example of **completion or activation of a project/programme**, and so is the upgrade of the 112 National Emergency Communication System in Bulgaria. These types of milestones are quite diverse given the variety of projects and programmes included in the RRP. The new comprehensive plan to lower the number of school dropouts in Belgium or the national Digital Skills Strategy in Slovakia both illustrate what is meant with **strategy adoption**. Milestones in the RRP analysed also include **reports** – such as the assessment of stocks of critical drugs in Denmark or the study on the feasibility of developing early childhood education infrastructure in municipalities of Lithuania. The signature of contracts for setting up, equipping and operationalising complementary services for disadvantaged groups in Romania or the award of contracts of support to promoting bodies for the creation and expansion of the network of social facilities/social responses in Portugal are examples of **signature of contracts**.

Milestones in the remaining categories are less frequent, resulting in narrower classification. For example, the creation of a methodology for determining the selection procedure to assign assisting devices to persons with permanent disabilities in Bulgaria is an example of a **methodology development**. Some milestones included in the **signature of agreements** category are the agreements signed in Italy by regions, autonomous provinces, municipalities, and metropolitan cities to enhance social housing or the publication of the partnership agreement to improve the take-up rate of the Minimum Vital Income in Spain. **Calls for projects and award of grants** encompass milestones like the publication of a call for proposals in Lithuania for innovative communication solutions benefiting people with disabilities, as well as the awarding of grants for social innovation initiatives in Belgium. The establishment of new standards and a performance framework for the Public Employment Services in Poland serves as an example of the **adoption of standards** milestone type. Lastly, the **entry into operation of a platform** comprises milestones like the successful launch of a functional digital platform for domestic worker vouchers in Romania and the introduction of a digital information platform for people with disabilities in Portugal.

All milestones and targets have been categorized in Annex 1 both thematically and by type of target and milestone. It is thus a useful tool for the ESF+ managing authorities looking for inspiration on how to design FNLC schemes depending on the specific change they wish to implement with the help of ESF+ funding.

4.2.3. Intermediate deliverables

The selected milestones and targets have also been classified based on whether they constitute intermediate deliverables or not. Intermediate deliverables are to be understood as pivotal steps contributing to a larger objective, serving as gauges for a measure's progression. This classification provides an overview of how intermediate deliverables were designed under the RRF, showcasing examples of how requirement

d of Article 95(1) of the CPR – on intermediate deliverables that trigger reimbursement by the Commission – could be satisfied when designing FNLC models.

In total, across the 785 milestones and targets reviewed during the study, **273 intermediate deliverables were identified**. This means that a significant share of measures funded by the RRF do not have intermediary deliverables. The same approach could be applied when designing FNLC models. However, **intermediary deliverables could be helpful in reducing the risk that even if the overall operation result is not achieved, at least part of the payment will be disbursed** due to the accomplishment of intermediary deliverables. Furthermore, intermediate deliverables not only streamline the monitoring process but also **promote a clearer understanding of how these deliverables contribute to the overarching objectives as well as result-based indicators**.

Intermediate deliverables for **quantitative results** often constitute segments of a final numeric goal across the RRFs reviewed. For example, in Poland's RRF, a goal was set to train 380,000 individuals in digital competencies, including digital literacy. This goal was divided into two specific targets. The initial target was to train 190,000 individuals in digital competencies, with a completion date of Q3 2024. Then, by Q2 2026, another 190,000 individuals would have to be trained. It is important to note that this division of the final target into intermediate deliverables is flexible and may consist of two, three, or even four distinct stages, not necessarily of equal proportions both under the RRF as well as under FNLC models in the ESF+.

A similar approach was applied to **milestones**. In Belgium, the implementation of a measure focusing on the digitalisation of healthcare follows a structured sequence. First, the process begins with the enactment of a law setting up the Health Data Authority, scheduled for Q1 2022. The law provides a legal framework for implementing the eHealth Services and Health Data initiative. Next, the focus shifts to preparing the technical specifications required for the eHealth sub-projects. These technical specifications should detail the specific requirements, design, and solutions necessary for the successful execution of different eHealth subprojects, scheduled for Q2 2022. Finally, the ultimate milestone is the successful completion of all eHealth services and Health Data sub-projects, targeted for Q4 2025.

Given that reforms play a significant role in the RRFs, most qualitative measures follow a similar structure: the modification or creation of a legal framework or a national plan or strategy, the establishment of project requirements, and the eventual completion of the project.

4.3. Verification of the deliverables

In addition to the content and indicators associated with the RRF milestones and targets, the research team reviewed the verification mechanisms detailed for each of them as

well as the descriptions of documents that were submitted together with the RRF payment requests.²¹ This was done with a three-fold purpose:

- to assess the extent to which RRP measures could meet the requirements g and I of Article 95(1) on the arrangements for verification of the deliverables and assurance of the audit trail if they were used as models for FNLC schemes;
- to assess the extent to which they could meet Annex V requirements; and
- to provide a menu of ways to verify the results without collecting invoices and other similar documents required in operations financed based on actual expenditure incurred.

After reviewing all 785 milestones and targets and their corresponding verification methods, the research team has identified **26 distinct types of documents used for verifying deliverables** across the RRFs. Table 2 provides an overview of these documents to showcase concrete examples for Member States when setting up verification procedures for FNLC interventions.

²¹ Note that although the research team asked interviewed Member State authorities to share the actual documents submitted together with the payment requests to be provided as examples of the audit trail in the report, this information is confidential and could not be shared.

Table 2. Types of verification mechanisms across 12 RRP analysed

Type of verification mechanism	Explanation	Example
Certificates of attendance or admission	These verification mechanisms entail a compilation of anonymised certificates associated with admissions, enrolments, attendance, or the successful completion of various activities. Typically, these certificates are linked to training.	In the context of a measure aimed at expanding the scope and diversity of employment support initiatives by fostering the acquisition of qualifications and competencies in Lithuania, the verification method involves an anonymized roster of individual certificates confirming the completion of training programmes. This roster further distinguished between categories outlined in the target description, affirming the fulfilment of 2,357 digital skills acquisition programmes and 2,008 other high-value-added qualifications and competencies acquisition programmes.
Certificates of works completed	The certificates validate the successful execution of contracted work in adherence to the terms and conditions specified within the contract. It serves as a verification mechanism in situations where the anticipated action is outsourced, and it applies to milestones and targets across all topic areas.	In Denmark, such a certificate was used to prove the completion of a minimum of 10 projects to advance the organic, plant-based food sector as part of Denmark’s measures focused on health. Similarly, in Bulgaria, certificates of work completion verify the successful development and full operational functionality of a digital skills provision platform.
Confirmation of the award	The confirmation includes documents to prove that certain awards, like scholarships, fellowships, or grants, have been granted either to individuals or to specific projects.	Slovakia’s RRP includes a programme to enhance international cooperation in education. As part of this programme, a target has been set to increase the number of persons supported through foreign study scholarships from 9,976 to 17,600. To confirm that this target has been met, Slovakian authorities need to provide a document that lists all the scholarships awarded. This document should include details like the duration, the year in which the scholarship was granted, and the type of scholarship.
Confirmation that beneficiaries have received support	This verification mechanism confirms that the intended support has been received by the beneficiaries. The nature of this confirmation can vary depending on the specific measure, encompassing services related to workforce integration as well as healthcare services.	According to Portugal’s RRP, beneficiaries of newly established health units have to sign acceptance certificates to prove the completion of a measure. These certificates serve to assess whether newly established health units align with criteria such as accessibility, quality, comfort, and safety for both users and health professionals. This process ensures the successful achievement of the desired results in the provision of new health facilities.

Type of verification mechanism	Explanation	Example
Copies of government decisions	This verification mechanism relies on copies of official documents by the government which contain decisions taken over a certain matter.	Poland has introduced a measure about the adoption of a new digitalisation policy for education, guiding short and long-term digitization efforts. To prove that this measure has been achieved, the verification mechanism foresees a copy of the resolution on the policy of digitalisation in the education area, adopted by the Council of Ministers.
Copies of notifications	Another prevalent verification method employed across RRP's involves retaining records of notifications sent to beneficiaries, institutions, or companies upon their selection to partake in a specific measure.	This verification approach was utilised in a measure targeting gender equality in Portugal. The verification process entailed producing a copy of the notification dispatched to companies employing more than 50 workers, where significant gender-based wage disparities for the same job roles were identified. These notifications obligated the submission of an action plan to the Labour Inspectorate Directorate to rectify gender pay gaps. To confirm the accomplishment of this measure, Portugal's RRP required evidence of the notification dispatch, which could take the form of email copies, registered mail receipts, or similar documentation.
Evaluation report	This mechanism verifies that the work has been executed as intended and measures the impact of the measure.	In Lithuania, an evaluation report was used to prove that at least 80% of persons working on construction sites can be identified electronically in real time. To prove that this measure is achieved, the State Labour Inspectorate of Lithuania must include a copy of their report on inspections and their results.
Evidence of budgetary deployment	Applied to input-based targets, this verification method relates to the allocation of specific funds (see Section 4.2.1). Member States are required to submit all relevant budgetary documents to validate the expenditure. Note that this is less applicable for ESF+ FNLC models given their purpose to avoid the collection of expenditure-based information.	The National Strategy for the Transformation of the Health System in France includes a target tied to the credit commitment rate for human resources upgrading. To confirm this achievement, the verification method entails providing copies of budgetary documents communicated to the Parliament in 2023.
Internal guidelines for public agencies	This verification method is designed for milestones and targets focused on effecting changes within public agencies.	Croatia's RRP includes a measure aimed at introducing a new care model for critical health challenges. To achieve this, the goal is to enhance and standardize healthcare quality through the development of clinical e-guidelines. In this case, the verification process involves presenting a copy of these guidelines, along with a link to the website where they can be accessed.

Type of verification mechanism	Explanation	Example
Justification of alignment between actions taken and measures planned	This category involves a report explaining how the planned actions in the proposed action plan align with the reform's objectives.	In the case of Bulgaria, for a measure focused on supplying assistive devices to individuals with permanent disabilities, one of the verification methods chosen is a copy of the methodology for selecting individuals with permanent disabilities grounded in health considerations, specific needs, and socio-demographic characteristics unique to this population.
Legal definition and criteria	This verification category is quite specific, and only a few milestones and targets employ this method. It pertains exclusively to measures involving changes in legal definitions and criteria.	Slovakia's RRP provides a noteworthy example: The Ministry of Labour and Social Affairs of the Slovak Republic will prepare a concept of financing of social services, which will be the basis for the development of a new legislation in the area of financing and will submit it for public discussion. A copy of that concept (published in the Ministry's website) is required as a verification mechanism as part of a measure for integrating and financing long-term social and healthcare.
List of beneficiaries (people)	This verification mechanism is commonly employed to confirm the participation of individuals in a given measure. As the name suggests, it involves an anonymised list of individuals who have taken part in a specific activity. It is most frequently used to validate the completion of training programs.	In Italy, an anonymised list of school staff members enrolled in training, along with their respective user IDs or numbers, serves as evidence of the successful implementation of a measure aimed at integrated digital teaching and training for school staff. However, this mechanism is not limited to training programs. In Romania, it was used for a measure dedicated to the introduction of work cards and the formalization of domestic work. To demonstrate that the target has been met, a spreadsheet listing beneficiaries (those who hired domestic workers) is required. This list should include the number of workers hired through the voucher system and the corresponding vouchers.
List of beneficiaries (entities)	This category operates on the same principle as the previous one, but in this case, it pertains to entities rather than individuals.	In Lithuania, a measure focused on joint missions for science and innovation in smart specialization sets a target for the number of projects and advisory services provided to potential applicants to the Horizon Europe programme from higher education institutions and SMEs. The verification method in this case entails a list of projects and advisory services received by higher education institutions and SMEs that have benefitted from support.
List of outputs achieved	Sometimes, the results of certain milestones and targets are very specific, and they can be used as verification mechanisms by themselves.	Bulgaria's RRP includes a target aimed at establishing a specific number of fully operational digital clubs. The justification for attaining these results is a spreadsheet containing a list of the fully operational digital clubs, offering detailed information about each club. Similarly, in France, the activation of a telephone line service to prevent suicide is substantiated through the list of call centres created.

Type of verification mechanism	Explanation	Example
Meeting minutes	This mechanism is often used in measures related to legal changes or Plans/Strategy approvals.	In Belgium, to prove that the pension and end-of-career reform proposal was submitted to the Council of Ministers of the federal government, a copy of the agenda or the minutes of the Council of Ministers was requested.
Project description	This verification mechanism entails a brief description of any project that needs to be carried out for the measure.	This kind of verification mechanism was requested in Italy to prove that new places were activated for education and early childhood care services, as part of the Plan for nurseries and preschools and early childhood education and care services. A brief description should accompany each project, including the number of new places created for educational and early childhood care services (from zero to six years old) as a result.
Statistics	A report with official statistics can be often found as a verification mechanism for results-based milestones and targets.	To confirm that an increase of between 10% and 15% in the total pension income for beneficiaries of the redefined form of survivor's pension (minimum 10%) was achieved, Croatia's RRP includes a report with official statistics on pension incomes of beneficiaries of survivors' pensions in 2024 and 2014.
Study report	This verification method is employed for milestones that involve the creation of study reports.	In a measure focused on enhancing the resilience of the healthcare system in Denmark, a requirement was set for the submission of a study report on the effects and side effects of COVID-19 vaccines, conducted by Trial Nation and Aarhus University Hospital, to the Danish Ministry of Health. The fulfilment of this requirement was substantiated through the compilation of the most pertinent papers published to date, pertaining to the study conducted by Trial Nation and Aarhus University Hospital on the effects and side effects of COVID-19 vaccines. Additionally, it involved the inclusion of the published report detailing the results of the conducted study and expanding knowledge on the effects and side effects of COVID-19 vaccines.
Summary of consultation with social partners	This verification mechanism pertains to measures involving policy decisions that necessitate input from social partners.	In Poland, this mechanism was used in conjunction with other verification methods to validate a milestone related to the adoption of a new digitalization policy for education, a foundational step for educational system changes and ICT investments. In this case, along with a copy of the government decision, the verification process includes a consultation report prepared by the Ministry of Education and Science. This report outlines the participants, summarizes their contributions, specifies how their input was integrated, and provides a link to the website where the consultation documents were available.

Type of verification mechanism	Explanation	Example
Copies of partnership agreements, signed contracts, calls for proposals, strategies, evidence of standards developed, link to a website containing the platform developed	These verification methods are in alignment with the milestones categorisation previously described in Section 4.2.2.	Specific examples of this verification method can be found within the milestone category bearing the same name.
Publication of legal changes in national journal	This verification method is linked to the 'legal changes' milestone categorisation. The most common and widely accepted approach to validate legal changes is to provide a copy of the publication in the Official Journal, along with references to the specific provisions that indicate the date on which the changes take effect.	See section 4.2.2

Source: own elaboration based on Operational Arrangements accompanying selected RRP.

It is noteworthy that a single milestone or target may employ up to five verification methods to ascertain the achievement of its objectives. Nevertheless, the quantity of verification mechanisms used per milestone or target varies across RRP and lacks a common pattern: some countries required more types of verifications than others. Similarly, certain verification methods exhibited greater prevalence in some RRP (like copies of government decisions in Bulgaria, or evaluation reports in Belgium). With time, **more research will be needed to identify best practices as to which documents to collect, how, when and by whom** so that the achievement of results can be demonstrated without creating an additional burden on the Member States to collect documents and to avoid goldplating when setting up an audit trail under ESF+.

When it comes to Annex V requirements as to what documents will be collected to verify the results, who will check them and when, as well as where this information will be stored, **nearly all²² milestones and targets are accompanied with descriptions of the type of documents needed to verify their achievement**, as shown in the table above. However, **most of the milestones and targets do not specify who will be responsible for reviewing the documents and when this will be conducted**: unlike in the ESF+ FNLC schemes, this is not a requirement in the RRF. Interview feedback suggests that while these arrangements are not explicitly stated in the plans, checks are nevertheless implemented in practice, usually by the authority responsible for coordinating the RRP at the national level. The RRP also do not typically include additional details on the checks to ensure the eligibility of the beneficiaries or the authorities responsible for issuing the specific documents and associated timelines. These are integral components of the audit trail for FNLC models under the ESF+. The key implication for ESF+ managing authorities is that **additional effort will be needed to specify what management verifications would accompany operations similar to those included in the RRP if they were to be used as inspiration for FNLC models under the ESF+**.

Lastly, **433 milestones and targets do not contain descriptions of the arrangements** for collecting and storing relevant data and documents, while **265 do provide such details**. As previously noted, some countries are more detailed in their descriptions than others, resulting in variations in the level of specificity from one country to another. An example including descriptions of the arrangements can be found in the box below.

Box 8. Example of a description of the arrangements for collecting and storing relevant data

Creation of places in higher education

France's RRP includes a target with a goal to increase the number of places in higher education by 30,000. To prove that this target was achieved, a list of all higher education institutions where places were created is required, including their location, the number of places created for each of them, the field of study, and the type and

²² This was not the case only for three milestones and targets in Italy, but this may have been due to clerical error.

length of the studies. The number of places in higher education created should be reported through Parcoursup.

Parcoursup is a French web application, managed by the Ministry of Education and the Ministry of Higher Education, Research, and Innovation. It facilitates university admission applications for final-year preparatory students and other candidates, including those looking to redirect their careers.

Source: own elaboration based on the Operational Arrangements accompanying France's RRP.

4.4. Costs and payments

While the actual costs associated with RRP measures are confidential and were thus outside the scope of the study, the following section provides an overview of **mechanisms** that were used **to estimate** how much RRP measures would cost, which can be useful in the design of FNLC models as well. Additionally, it provides information on how amounts were adjusted under the RRF, corresponding to requirement h of CPR Article 95(1).

Conditioning payments upon the achievement of pre-agreed milestones and targets is mandatory under the RRF. The fulfilment of these milestones and targets serves as the only criterion for authorizing payments. Prior to any disbursement from the RRF, the European Commission assesses whether the Member State has satisfactorily met all the milestones and targets associated with the specific payment request.

Although payments are conditioned to the successful implementation of the agreed reforms and investments, when drafting the plan, Member States provided a **cost estimation** for each measure included in the plan, as required by the RRF Regulation.²³ Due to the heterogeneous nature of the measures across all plans, the process of arriving at cost estimates varied depending on the country and measure type. **Investments** were mostly (though not always) associated with quantitative targets. According to interviewees, the costs for targets were **usually estimated based on historical precedents**, with some variation across the Member States (e.g. some adjusted the funding available for inflation, others did not when estimating what would be possible to achieve based on past costs of similar projects). **Simplified cost options** were used as well. Finally, if a measure was new and not implemented before (e.g. building centres for digital skills development), the costs had to be estimated by **gathering such information from potential contractors**, including detailed breakdowns (e.g. costs for Internet, furniture, pens, etc.).

The Commission then assessed whether the costs estimated by the Member States were:

²³ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R0241>

- Reasonable. The Member State provided sufficient information and evidence that the amount of the estimated total cost of the plan is appropriate.
- Plausible. The Member State provided sufficient information and evidence that the amount of the estimated total cost of the plan is in line with the nature and the type of the envisaged reforms and investments.
- Commensurate. The amount of the estimated total cost of the plan is commensurate to the expected national economic and social impact and is in line with the principle of cost-efficiency.
- Additional to other EU financing. The Member State provided sufficient information and evidence that the amount of the estimated total cost of the reforms and investments of the recovery and resilience plan to be financed under the Facility is not covered by existing or planned Union financing.

While all targets necessarily have associated costs, **some milestones – such as legal actions – were considered to be zero-cost** even though they do entail costs in reality. For example, the drafting of a new law requires the resources of ministry employees, but since the RRF is not directly used to fund the salaries of ministry employees, milestones relying on these types of inputs were considered costless. It is also important to note that some milestones included in the RRP are funded through other funding sources – not the RRF – but they are still included in the plans' national audits.

Despite the detailed costing exercise, **cost estimates for milestones and targets are not directly linked to the actual RRF payments Member States receive from the European Commission**. Instead, payments are more closely linked to the **value** generated by the measures, especially for reforms. For example, although amendments to various laws regulating education systems are considered zero-cost milestones as per the explanation above, Member States still receive payments for achieving these milestones given the value they generate for the society. This is intuitive: while a pension reform may not be expensive to implement, it can be politically challenging to push through and will have substantial influence on the citizens in a particular Member State. The RRF, therefore, rewards the efforts to implement these types of reforms.

If all milestones and targets associated with a specific payment request are achieved, Member States receive a full payment which was estimated and pre-agreed with the European Commission. Each payment adds up to the overall RRP allocation, which is composed of grants and loans. The maximum financial contribution to be provided in grants is determined by:

- the Member State's population;
- the inverse of its Gross Domestic Product (GDP) per capita;
- its average unemployment rate over the past 5 years (2015-2019) compared to the EU average;

- the fall in real GDP in 2020 and the fall in real GDP in 2020 and 2021 combined.²⁴

Some Member States have also requested loans if the total cost of their RRP was greater than the maximum financial contribution. Loans were granted up to 6.8% of the 2019 Gross National Income (GNI) of the Member State.

If only some of the milestones or targets are implemented, the methodology for the determination of payment suspension applies.²⁵ The calculation of the suspended amount is based on three steps:

1. A 'unit value' associated with each milestone or target in an RRP is obtained by dividing the RRP's total value by the number of milestones and targets in the RRP.
2. Coefficients are then applied to these unit values, increasing the monetary reward for the largest investments and entry into force of reforms or final implementation steps; and reducing the monetary value for the smallest investments and intermediary milestones and targets.
3. The corrected unit values are then adjusted proportionately for partially achieved results; upwards for investments and reforms related to Country Specific Recommendations (CSRs) or the Regulation on the prevention and correction of macroeconomic imbalances;²⁶ and downwards if the reform is of less importance to justify any of the ratings underpinning the positive assessment of the RRP.

RRPs also contain measures related exclusively to audit and control. Non-fulfilment of audit and control-related milestones can result in full payment suspension. The methodology's application is subject to revisions based on experience, and measures violating the 'do no significant harm' principle are ineligible, with the methodology determining suspended amounts for such cases (for details, please refer to the full methodology available in the footnote).²⁷

Interview feedback on experiences related to payments provides a few lessons if FNLC is applied more broadly under the ESF+. First, **the financial repercussions for failing to achieve results should be clearly established already at the planning stage and agreed upon with all stakeholders involved.** Given that the RRF was launched in response to an ongoing COVID-19 crisis, the partial payment methodology was only published in February 2023 whereas RRP were drafted in the first half of 2021. However, ESF+ programmes are not planned in response to one-off events, so the FNLC schemes should foresee how partially (or non-)fulfilled milestones and targets will be dealt with from the very beginning. While there can be many options to do so depending

²⁴ For details, please refer to Annex I of the RRF Regulation.

²⁵ See Annex II in European Commission (2021). *Communication from the Commission to the European Parliament and the Council*. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX%3A52023DC0099>

²⁶ Available at: <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32011R1176>.

²⁷ See Annex II in European Commission (2021). *Communication from the Commission to the European Parliament and the Council*. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX%3A52023DC0099>

on the specific context and situation in each Member State, the scheme should specify this in a clear and unequivocal way. This is important to avoid uncertainty, enable Member States to plan their ESF+ operations accordingly and ensure smooth implementation and reimbursement.

Furthermore, neither the Member States nor the Commission consider it necessary to issue payments for groups of results if FNLC is applied in the ESF+. Some interviewees mentioned the advantages of allowing payments to be made once Member States have accomplished milestones and targets, regardless of whether other milestones and targets to be included in the same payment request had already been achieved. This would reduce the risk that payment will be withheld until all results associated with a payment request are accomplished and would lower up-front financing needed to kickstart the work. Indeed, the CPR does not foresee specific grouping or restrictions on the number of disbursement requests where RRF does. Additionally, FNLC under ESF+ has a specific format where such details are to be included from the outset.

Key terms and indicators in FNLC schemes should be defined with precision to lower the risk of misinterpretation of the commitments made. An interviewee from Belgium explained that even small changes in the detailed text could have significant consequences for achieving targets or milestones under the RRF. For a measure to upskill the unemployed, the employment agency set a target to provide over 300,000 trainings. Their interpretation of the target was that the same individual could participate in multiple trainings, each of which would count towards the overall target. However, in the process of translating the RRP and associated documents, the word 'enrolment' was once replaced with the word 'person' (although the change was ultimately reverted), so the national authorities worried that the European Commission would not approve the target because 300,000 unique individuals did not receive training. Similar issues arose in Croatia, where discussions with the European Commission revolved around defining vulnerable groups. The Commission focused on addressing inactive individuals, while the implementing authority prioritized unemployed individuals.

The risk of misinterpretation is even greater for qualitative than quantitative commitments (see Box 9). For example, it is difficult to agree in advance on all the details that will be included in a legal reform or in an innovative measure where significant room for social experimentation is allowed. Box 9 To avoid lengthy discussions and clarifications on whether qualitative results were achieved (as they entail an administrative burden), at the planning stage **a list of key changes that should be included in a legal reform should be specified**, along with the financial consequences if only some of those changes are ultimately reflected in the legal text. While this would not eliminate the risk of misinterpretation completely, the risk could be reduced. Additionally, **informal discussions and negotiations** with all stakeholders involved and with the European Commission before formal approval of the FNLC scheme are necessary to lower the risk of misinterpretation further.

Box 9. Example of a milestone that resulted in differing interpretations

Development and implementation of new targeted active labour market policies for the purposes of green and digital transition of the labour market

- One of the measures included in Croatia's RRP is the development and implementation of new targeted active labour market policies, which aim to promote the green and digital transition.
- To achieve this measure, the Croatian Employment Service plans to adopt three new measures to support digital and green job creation. The conditions and criteria for the use of funds under these measures, as well as the activities of the Croatian Public Employment Service, are designed to prioritise reactivation and (self-)employment of inactive, long-term unemployed and young people not in employment, education or training (NEET).
- However, the absence of clear specifications regarding the criteria for classifying which jobs contribute to the green and digital transition of the labor market presented a challenge when implementing the measure. Some stakeholders considered all positions in a green company (like a solar panels company) as green jobs, while others adopted a narrower interpretation, limiting green jobs to roles directly involved in the green transition, such as professionals who set up solar panels. This ambiguity created a potential risk of failing to achieve the milestone due to differing interpretations.

Source: own elaboration based on interview feedback and Operational Arrangements accompanying Croatia's RRP.

Finally, **authorities designing the FNLC schemes need to carefully consider how much of the payment should be associated with each final or intermediary result.**

As mentioned in Section 5, Member States have more control over output than over impact-based indicators, so arguably more of the overall payment for the operation should be associated with output indicators. Among others, these indicators also include the passing of laws in each EU Member State to implement structural reforms. During the workshop (see Section 2.4), some ESF+ managing authorities questioned whether it is appropriate to issue EU funding for passing national laws. However, experience with the RRF shows that such funding can be instrumental in implementing politically difficult reforms (e.g. concerning changes in the taxation or pension systems), so substantial funding could be attributed to them to incentivise changes that may be unpopular yet necessary. Ultimately, the precise payment allocations for individual results are subject to negotiation between the Commission and the Member States.

Overall, all the above-mentioned issues could be at least partly resolved if FNLC is used in the ESF+ by agreeing in advance on the financial consequences for failing to achieve results and clearly defining both the targets and milestones. Payments associated with final and intermediary results have to be specified in Appendix 2 of CPR, outlining the design of FNLC schemes, thereby avoiding any confusion regarding financial repercussions.

5. Designing FNLC schemes

Having assessed the extent to which measures from the reviewed RRP would meet CPR and ESF+ requirements, Chapter 5 delves into key considerations when designing FNLC schemes. It starts with a discussion of the administrative burden associated with the implementation of RRF measures, which lends itself to lessons learned about how to reduce the administrative burden and how to lower the risk of non-payment in FNLC operations, discussed next. The chapter concludes with three sample FNLC models which were created by taking inspiration from the RRF measures reviewed and lessons learned.

5.1. Administrative burden of FNLC schemes

FNLC is expected to reduce the administrative burden associated with the utilisation of EU funds. Yet this will only be possible if Member State authorities **track indicators to prove that the pre-agreed conditions and results have been achieved without simultaneously gathering evidence to justify actual expenditure incurred.**

Representatives from all countries interviewed confirmed that they opted to track both the indicators needed to prove that results have been achieved as well as evidence of project implementation costs. This is because of perceptions that expenditure information may be required to **meet the requirements of national audit authorities.** In fact, representatives from Lithuania reported that national auditors raised questions about why the RRP authorities did not track the hours (and associated salaries) ministry employees spent when drafting the laws as agreed per Lithuania's RRP – despite the fact that timesheets were not included among the verification mechanisms to be provided for the Commission to disburse RRF payments. Ministry employee salaries are also not funded by the RRF – the laws in question were zero-cost milestones, see Section 4.4. Hence, there is a mismatch of requirements between the European Commission and national audit authorities, which signals the **need to correctly and carefully develop adequate systems to track results and to set a clear and simple unambiguous audit trail for each FNLC scheme at the planning stage.**

Given the novelty of FNLC, **additional training** both to managing and audit authorities may be needed to bring more **certainty** that only collecting evidence on the achievement of the expected results will be required and this will not create any problems during audits and implementation. This training would serve as an opportunity to bring together both managing and audit authorities to discuss what audit trail elements are required for FNLC models.

It is important to acknowledge that just tracking results can still entail administrative burden, especially if national authorities lack such competencies. A clear example in this respect concerned data collection under the RRP. An often-used verification mechanism across the RRP is a list of project participants or

beneficiaries. As illustrated in Box 10, although lists ultimately submitted to the Commission are anonymised, personal data about participants (such as their employment status, gender, educational background, medical condition, etc.) nevertheless may be required to be collected before anonymising the data to provide sufficient proof of the result achieved. One of the challenges which surfaced during implementation is that **such data may need to be assembled from different government agencies, yet the authorities tasked with collecting it may not be authorised to access the data**. Consequently, national authorities should proactively plan to ensure seamless access to all required data when proposing a specific scheme.

Box 10. Example of a target which requires personal data collection to verify

Introduction of social mentoring services

- One of the measures included in Croatia's RRP is the introduction of social mentoring services (C4.3 R2-11). According to the Operational Arrangements accompanying the plan, the introduction of a social mentoring service shall contribute to the recruitment of long-term unemployed and other socially excluded groups. The service shall be available in all 118 Social Welfare Centres including their subsidiaries, and ultimately benefit at least 30,000 users by the end of 2025.
- To prove that the target has been achieved, the implementing authorities will provide an anonymised list of the 30,000 users benefiting from the social mentoring service, and for each of them:
 - unique identifier;
 - category of the of long-term unemployed or other socially excluded groups;
 - indication of Social Welfare Centre including their subsidiaries in which service is provided (118).
- Furthermore, on the basis of a sample that may be selected by the Commission, the following elements will be submitted for each of the beneficiaries selected:
 - documentation confirming the category of beneficiary;
 - a dated log of activities taken towards the beneficiary indicating any changes in their status and Social Welfare Centre in which service was provided;
 - notes or reports about the beneficiary produced in the context of the measure.

Source: own elaboration based on the Operational Arrangements accompanying Croatia's RRP.

Interviewees also cited **data protection** as one of the reasons why such information could not be collected. In Spain, institutions responsible for reporting results had to conduct an impact assessment to determine whether the requested data could be gathered in line with data protection laws. The assessment concluded that the collection of some data – especially as it pertains to health – should be avoided even if it is ultimately anonymised due to the potential risk of indirect identification of individuals, while less sensitive data could be collected.

The process of data collection became even more challenging when **multiple implementing authorities were involved in a measure**. For some measures in Belgium, for example, coordination meetings and regular engagement with consultants were necessary to align approaches and quality assurance systems across different departments. This was also the case in Spain where data collection responsibilities for some measures lie with autonomous communities and local administrations. These entities often lack dedicated management teams, so interviewees reported examples of mayors or councillors voluntarily gathering data despite their lack of preparation and time for this assignment.

Ultimately, the examples illustrate not only the hurdles and the administrative burden associated with proof gathering, but also the **need for training and capacity building for the national authorities on how results could be defined and tracked in FNLC schemes, ideally relying on existing data as much as possible**. Careful planning during the design phase will lower the need for subsequent negotiations with the Commission (see Section 4.4). This entails increased effort done ex ante, i.e. at the moment of designing the FNLC scheme, having it approved, and setting up the system. However, **with time, a better understanding of how FNLC schemes work and growing experience of Member State authorities with such result-based schemes are expected to lower the perceived burden**. This expectation holds as long as the information on expenditure does not need to be tracked as well. Such arrangements will also push Member States to better coordinate and share information across ministries, implementing authorities and central-local entities. Finally, smoother reimbursement processes have proven to lower the risk of errors, as compared to traditionally-funded projects.

5.2. Lessons about the design of FNLC schemes

Despite some difficulties encountered when tracking results as opposed to costs as outlined in the previous section, **Member State authorities emphasized the valuable incentive provided by the RRF in implementing reforms that specifically address systemic and structural issues and Country-Specific Recommendations (CSR), which may otherwise remain unresolved due to a lack of political will**.

However, **achieving the same push to implement CSRs under the ESF+ is unlikely if the utilization of FNLC remains voluntary**. FNLC introduces **different risks** for

Member States compared to expenditure-based financing, such as not recovering invested funds if conditions are not fulfilled or results are not achieved. Making FNLC mandatory (at least partially) or incorporating specific risk-reducing **design elements** may encourage a wider adoption and implementation of FNLC models. These design elements are discussed in detail below.

As briefly mentioned in Section 4.4, **defining clear and precise conditions to be fulfilled or results to be achieved** can be instrumental to mitigate the risk that Member States and the European Commission will arrive at different conclusions on whether the commitments have been fulfilled. While interviewees mentioned some good practice examples (see Box 11), clear definitions have less to do with a specific target type (other than the provision of equipment or infrastructure development, which are outside the scope of the ESF+ anyway), but more with the number of details accompanying the specific targets. Hence, careful planning should accompany the development of all FNLC measures, which should be complemented by dialogues with the Commission and the audit authorities during the informal negotiation phase.

Box 11. Examples of RRP targets that were easy to interpret for both the Member States and the European Commission

- Belgium's RRP includes a target for supporting enterprises in Flanders through various measures such as competency checks, transition points, and project calls. The aim is to assist 600 enterprises falling within one of the following categories:
 - SMEs reached with a competency check;
 - Social economy enterprises supported in their innovative strategic transformation through the calls 'open innovation strategic transformation' and 'future-oriented training to support the most vulnerable groups in the social economy' ;
 - Enterprises starting a transition path through the transition test-beds or transition points.
- In Romania, one of the measures aims to increase the number of students enrolled in the dual route by a minimum of 60%. The dual route is a training modality in which an educational institution and a private company share the responsibility for the student's training. In 2020, 1,847 students successfully completed the dual route. However, with the implementation of measures to support dual education centers, it is estimated that the number of students completing the full dual route will reach 3,000. As part of this initiative, each integrated vocational campus will be equipped for digital workshops to align with the technological high schools and universities' profiles. This adaptation will ensure a seamless digital transformation in the educational landscape.

Source: own elaboration based on Operational Arrangements accompanying Belgium and Romania's RRP.

Nevertheless, even if reimbursement conditions are defined with precision, Member States may still **need to adapt** them to changing circumstances during implementation. To mitigate the risk of failing to achieve the results, it is important to allow for **a certain level of flexibility**, both regarding the ultimate goals and their timing, to account for changes in costs, political climate, economic situation, or other circumstances. For instance, interviewees reported significant cost increases associated with the planned measures due to recent high inflation, impacting the achievable targets. For this, the CPR foresees cost adjustment methods. Moreover, in Bulgaria, authorities were unable to execute large-scale procurement processes due to the difficulty in forming the government. This has affected the country's plan to develop new IT facilities and e-services for the Employment Agency.

Additionally, **indicators selected during the design phase may no longer be relevant when implementing the measure**. Croatia serves as an example where the plan set a target of including 30,000 people in active labour market measures due to the high unemployment rate observed in 2021. However, as unemployment rate rapidly declined in Croatia from 8.5% in January 2021 to 6.5% in May 2023,²⁸ achieving those numbers became challenging and may no longer be relevant.

Some of the elements to ensure a level of flexibility under the RRF could be considered in ESF+ FNLC schemes. As outlined in Annex I of the 2-year RRF Communication from the Commission, a milestone or target can be considered satisfactorily fulfilled even with a deviation of 5% or less from the specified amounts.²⁹ In cases where this 5% margin is exceeded, partial payments can still be issued for partial achievement of results (see Section 4.4).³⁰ Before that, six months are granted as a grace period to achieve the milestone or target.³¹ Member States can also utilise Article 21 of the RRF Regulation, which allows to postpone specific milestones and targets for objective circumstances. Finally, Member States can amend their RRFs as stated in Article 21 of the RRF Regulation.³²

Under the ESF+, it is also possible to amend each individual programme, including its FNLC schemes, during implementation. However, the amendment process may take some time, so all possible elements should be defined at the beginning of the programming period, to the extent possible. To allow for some flexibility in the FNLC models, **indicative and hard deadlines** could be specified regarding each result – as

²⁸ Eurostat table UNE_RT_M.

²⁹ European Commission (2021). *Communication from the Commission to the European Parliament and the Council*. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX%3A52023DC0099>

³⁰ Note that the CPR does not allow to issue payments for achieving results with a 5% deviation, so the same logic could not be applied to FNLC models. However, this could be solved with the use of intermediate deliverables,

³¹ See Annex II in European Commission (2021). *Communication from the Commission to the European Parliament and the Council*. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX%3A52023DC0099>

³² Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R0241>

long as the result is achieved by the hard deadline, payments could still be made even if the goal was to complete the work by the indicative deadline (see Section 5.3 for examples).

In addition to setting clear targets and milestones, and providing some flexibility to amend them, **setting out clear monetary consequences for failing to achieve results is a key factor** for reducing the risk that comes with the implementation of FNLC measures. Currently, under the RRF, Member States lack clarity on the consequences of failing to achieve the agreed-upon milestones and targets because the Commission determines the amount to be suspended only after payment requests are submitted (see Section 4.4). By clearly specifying the repercussions if the conditions or results are not fully achieved during the planning stage, Member States can have a comprehensive understanding of the potential outcomes and can adapt their programmes accordingly. For example, they can set modest targets for more innovative and hence riskier operations. This clarity enables better planning and accountability, ensuring that appropriate measures are in place to address any deviations from the intended results.

Lastly, it is essential to **involve auditing authorities in the design process of FNLC schemes, so that audit trails are clearly specified**. This approach provides Member States with the assurance of which exact evidence will be required from auditing authorities. Consequently, Member States can save time and effort that would otherwise be spent tracking evidence as a precautionary measure.

A noteworthy example of this best practice under the RRF can be seen in Slovakia. For a measure to increase the enrolment rate of five-year olds (presented in more detail in the following section), national audit authorities carefully reviewed and replicated the calculations made in the statistical programming software Stata to ensure the accuracy of the estimates produced. The Ministry of Education openly explained their calculation method, and shared all the sources used as well as the communication records with the Ministry of Finance. To validate the accuracy of the calculations, the audit authorities implemented their own estimates to ensure the reliability of the enrolment rate estimation, with no need to submit any actual costs incurred. Their focus was solely on verifying the achieved results rather than scrutinizing the associated costs – a model which could be applied more broadly.

In conclusion, the successful implementation of FNLC under the ESF+ relies on several key factors.

- Incorporating flexibility to account for changing economic conditions, political challenges, and unforeseen circumstances is crucial.
- The explicit and precise definition of reimbursement conditions and results, as well as clear consequences for not achieving them, helps ensure clarity and accountability.
- Involvement of audit authorities into the design process of FNLC models.

By addressing these aspects, FNLC under the ESF+ can effectively drive the desired policy objectives and address systemic and structural issues while mitigating risks for Member States.

5.3. Examples of FNLC models

This section draws on the lessons discussed above to showcase three FNLC models that could be financed under the ESF+, taking inspiration from measures implemented under the RRF. It is important to note that while the examples provided below were based on the measures implemented by the Member States, the examples have been adapted for illustration purposes and should not be taken to represent the actual measures implemented in the respective countries. These models serve as guiding examples and require further adaptation to align with the ESF+ framework.

The models have been structured based on Appendix 2 of the CPR, which Member States are required to submit when applying for FNLC-based ESF+ funding. However, the structure of the Appendix 2 has been modified to exclude information on the amounts of funding to be provided for each operation, which were outside the study scope and which would vary for each implementing country anyway. Additionally, information pertaining to operation priority, specific objective and category of region has also been removed given that this information would be specific to each Member State. The models cover operations related to education and skills, employment, and social inclusion.

5.3.1. Sample FNLC model for education and skills

<p>1. Description of the operation type</p>	<p>In Slovakia, the level of children's kindergarten enrolment remains low compared to the average of EU countries. In 2020, there were 7,086 children aged five who were outside the schooling system, which represents 12% of children in this age group. The schooling of children whose families receive social services is particularly low: the enrolment of children from disadvantaged environments is 41%, and 67% for children with medical disabilities.</p> <p>Problems with the schooling of children in kindergartens are the result of a number of factors, for example:</p> <ul style="list-style-type: none"> • Lack of places in kindergartens (the shortage estimated is 1,796 to 2,772 places). • Low level of flexibility of the state network of schools and school facilities, which lacks records, registration, support and control of providers of variable programs of pre-primary education (e.g. children's groups, community and company nurseries, forest clubs and others). Children attending these programmes are not currently registered among the trained children. • Kindergartens are not ready to accommodate children with diverse needs, including material and technical equipment, room modification
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	<p>(debarrierisation) and teachers' readiness to work with these children, including children from a foreign language environment.</p> <ul style="list-style-type: none"> • Low awareness among parents from marginalised Roma communities about the benefits of pre-primary education. • Persistent financial barriers for families at risk of poverty, mainly due to informal fee for participation in education and for non-educational activities (contribution to the class fund, fees for rings), as well as for the purchase of the child's necessary equipment (spare clothes, shoes, bedding sheets). • For some families, the distance to the kindergarten is also a barrier, mainly due to the lack of the transport connecting kindergartens and some excluded locations. <p>The main goal of the operation is to increase the participation rate of five-year-old children in pre-primary education by implementing activities aimed at addressing the factors listed above.</p> <p>The activities currently planned include:</p> <ul style="list-style-type: none"> • amendments to the School Act to make enrolment in pre-primary education compulsory; • an information campaign for parents from marginalized Roma communities; • the establishment of additional places in kindergartens (using ERDF funds); • the creation of preparatory material for children whose mother tongue distinguishes it from the teaching language of the kindergarten; • conditional financial aid to motivate families at risk of poverty to participate in pre-primary education; • disbursement of grants for non-governmental organizations to support the provision of early childhood education for children from disadvantaged backgrounds; • introduction of 'assistant educator' and 'school nurse' positions to aid children with disability or those who do not speak the language predominantly spoken in kindergartens; • provision of a free bus transport for children to the nearest kindergarten, including escort. <p>However, the intention is to adjust the activities depending on early indicators on how effective they are. For example, if the uptake is low for conditional financial aid to motivate families at risk of poverty to participate in pre-primary education, the funds will be diverted to other activities. As a result, a mid-term operation evaluation is foreseen as an intermediate deliverable (see below).</p>
<p>2. Conditions to be fulfilled or</p>	<p>1. Adoption of the amendments to the School Act to make pre-primary education compulsory for children aged five years-old. The School Act (No</p>

<p>results to be achieved</p>	<p>245/2008) shall introduce a universal legal entitlement to a place in kindergarten or other pre-primary education providers for children from five years of age. The amendments will also specify that pre-primary education may be provided:</p> <ul style="list-style-type: none"> (i) in kindergarten/special kindergarten included in the Slovak network of schools and schools, (ii) in individual education, e.g. at the request of a legal representative at home, or (iii) at the establishment of a registered pre-primary education provider. <p>All of the changes outlined above have to be included in the final text for the condition to be considered achieved.</p> <p>2. Increased enrolment rate by 7 percentage points (from 88% to 95%). The target was chosen based on the achievement of the same target in the Czech Republic. While 100% enrolment would be desirable, such a goal may not be feasible to achieve within the timeframe of the operation.</p>
<p>3. Deadline</p>	<ul style="list-style-type: none"> 1. Indicative timeline regarding the passage of the amendments to the School Act is 15 August of year one, with effect from 1 September of year one, but the payments will be issued if the law is passed by Q3 of year three at the latest. 2. Q3 of year three regarding the increase in the enrolment rate.
<p>4. Indicator definition</p>	<ul style="list-style-type: none"> 1. Adoption by the Parliament of amendments to the School Act 2. Enrolment rate in pre-primary schools for children aged five, calculated by dividing the number of five-year-olds enrolled in pre-primary education at the end of the school year by the size of the population of that age group. This means that if children enrol in the beginning of the year, but subsequently drop out, they will not be included in the count of five-year olds enrolled in pre-primary education. Figures will be based on head counts and will not distinguish between full-time and part-time enrolment.
<p>5. Unit of measurement</p>	<ul style="list-style-type: none"> 1. Adoption by the Parliament of the amendments to the School Act, by which for children who are five years old, pre-primary education will be compulsory 2. Percentage point change

6. Intermediate deliverables

There is a risk that the Parliament will not ratify the School Act amendments (due to circumstances not currently foreseen), so the first intermediary deliverable is the **submission of the proposed amendments for approval in the Parliament, due by Q1 of year one**. The submission of the proposed amendments will trigger 10% of the total payment whereas the adoption of the amendments to the School Act (final result) will result in 20% of the total payment.

Some of the activities envisioned for the measure will be used as intermediate deliverables:

- **The completion of the information campaign** for parents from marginalized Roma communities will trigger 5% of the total payment.
- The provision of the **free bus transport** for children to the nearest kindergarten, including escort will trigger 5% of the total payment.
- The creation of **supplementary material to the State educational programme** for pre-primary education in kindergartens, which will contain more differentiated procedures for specific groups of children who will start compulsory pre-primary education in the school year of year one (especially with a focus on children from socially excluded locations) will be associated with 10% of the total payment.

All these three activities should be completed by Q4 of year one. A **mid-term evaluation of measures to increase the enrolment rate will be carried out by Q2 of year two** to provide evidence on the effectiveness of the actions implemented thus far to assess whether the funds should continue to be allocated to operation streams in the same way or should be diverted from less to more effective measures. All new initiatives must adhere to the assigned budget. The completed evaluation will be associated with 10% of the total payment.

The remaining 40% of the total payment will be disbursed **for increases in the school enrolment rate, as presented below**.

Result	Indicative due date	Payment associated
An increase in the enrolment rate from 88% to 90%	Q2 of year two	11.43% of the total payment
An increase in the enrolment rate from 90% to 92%	Q4 of year two	11.43% of the total payment

	An increase in the enrolment rate from 92% to 95%	Q3 of year three	17.14% of the total payment
	<p>No penalty will be applied if the enrolment rate decreases during implementation of the operation as this will most likely be the result of other factors not associated with the operation. If the enrolment rate fails to increase, despite the approval of School Act amendments and the implementation of the foreseen measures, only 60% of the payment will be available for disbursement. On the other hand, if the amendments to the School Act are not enacted, but the enrolment rate increases, a maximum of 40% of the payment will be issued. The maximum 40% of the payment will be issued if a 7-percentage point increase in the enrolment rate is achieved at any point of the operation, even if it subsequently drops. As long as the thresholds indicated above are reached at any point before the final operation deadline, the associated payments will be issued.</p>		
<p>7. Document(s) /system used to verify the achievement of the result or condition</p>	<p>Regarding the amendment of the School Act:</p> <ul style="list-style-type: none"> • <u>Intermediary deliverable</u>: a copy of the proposal for the amended School Act and a copy of the agenda or the minutes of the Parliament proving that it was officially submitted to the Parliament. • <u>Final result</u>: a copy of the publication of the amended School Act in the Official Journal and reference to the relevant provisions indicating the entry into force of the changes. This document must validate that the amendments establish a comprehensive legal entitlement to pre-primary education for five-year-old children. <p>Regarding the information campaign: a summary document, outlining the actions taken, with links to websites where information was provided as well as copies of paper documents distributed, if any.</p> <p>Regarding the provision of free bus services: a copy of the signed contract with the bus company.</p> <p>Regarding the creation of the supplementary material: copies of documents containing supplementary material along with a summary document outlining how the material was integrated into the State educational programme.</p> <p>Regarding the evaluation of the measures proposed: a copy of the evaluation report with a separate summary document on how the results from the evaluation were taken into account in programme implementation. This evaluation report will be conducted by an external contractor and will serve as evidence of the activities carried out during the implementation and their impact.</p> <p>Regarding the enrolment rate (both intermediary deliverable and final result): the data extracted from the Sectoral Information System and other systems evidencing the enrolment rate in pre-primary schools for children aged five.</p>		

<p>8. Management verifications (including on-the-spot) to be carried out, and by whom</p>	<p>NIKA (national implementation and coordination authority) is responsible for verifying that the drafted legal proposal includes the changes foreseen and for ensuring that the enrolment rate is correctly estimated.</p>
<p>9. Arrangements to collect and store relevant data/documents</p>	<p>Regarding the amendments to the School Act, documents will be publicly available in the Official Journal by September of year one. The publication of the amended School Act in the Official Journal must validate that the amendments establish a comprehensive legal entitlement to kindergarten or pre-primary education for five-year-old children.</p> <p>Documents pertaining the information campaign, the bus service, supplementary material, and operation evaluation will be stored on the servers of the Ministry of Education, Science, Research and Sport.</p> <p>Regarding the enrolment rate, syntax files (.do format) of the statistical programming software Stata will be provided by the Ministry of Education, Science, Research and Sport, which will indicate the precise code used to estimate the enrolment rate and the data sources used.</p>
<p>10. Body responsible for ensuring the audit trail</p>	<p>The Ministry of Education, Science, Research and Sport</p>

Source: own elaboration based on the RRP of Slovakia.

Note: figures are for illustrative purposes only.

5.3.2. Sample FNLC model for employment

<p>1. Description of the operation type</p>	<p>The operation aims to strengthen the fight against undeclared work in various sectors of the economy. The approach will follow the example already under implementation in the agricultural sector, outlined in the "Piano triennale di contrasto allo sfruttamento lavorativo in agricoltura e al caporalato (2020 - 2022)."¹</p> <p>The actions foreseen include:</p> <ol style="list-style-type: none"> 1. Strengthen the inspection capacity of the National Labour Inspectorate. 2. Improve the production, collection and timely distribution of granular data on undeclared work among competent authorities. 3. Introduce direct and indirect measures to transform the undeclared work into regular work so that the benefits of operating in the regular economy exceed the costs of continuing to operate undeclared (for example, strengthen inspections and sanctions, provide financial incentives, etc.).
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	<p>4. Carry out communication campaigns, information and awareness-raising activities in Italian, Romanian, Albanian, Arab and Amazigh.³³</p> <p>5. Strengthen the governance system to fight undeclared work at national and local level.</p> <p>The actions described above are part of ongoing efforts to strengthen the National Labour Inspectorate (it is planned to hire around 2,000 new inspectors out of a current workforce of around 4,500 in next months) and alongside those envisaged in the Three-Year Plan to combat undeclared work in agriculture.</p>
<p>2. Conditions to be fulfilled or results to be achieved</p>	<p>1. Adoption of a National Plan and time-bound (one year) Implementation Road Map to fight undeclared work across all economic sectors. The National Plan shall be adopted by the national government and build upon the general strategy to combat undeclared work and on the multi-agency approach used to adopt the National Plan against Labour Exploitation in the agriculture sector - "Piano triennale di contrasto allo sfruttamento lavorativo in agricoltura e al caporalato (2020 - 2022)". The National Plan and the Road Map for Implementation shall include at least the five actions specified under the operation description above.</p> <p>2. Increase of at least 20% in the number of inspections with respect to the 2019-2020 period. In 2019-20, around 85,000 labour inspections were carried out on average, so at least 102,000 labour inspections need to be carried out during years one and two of the operation.</p> <p>3. Reduction of at least 1/3 in the gap between the EU average and the Italian estimate regarding the incidence of undeclared work.</p>
<p>3. Deadline</p>	<p>1. Indicative timeline regarding the adoption of the National Plan and Implementation Road Map is Q1 of year one, but the payments will be issued if the plan is adopted by Q4 of year two at the latest</p> <p>2. Q4 of year two regarding the increase in the number of inspections.</p> <p>3. Q4 of year two regarding the reduction in the gap between the EU average and the Italian estimate on the incidence of undeclared work.</p>
<p>4. Indicator definition</p>	<p>1. Adoption of a National Plan and time-bound (one year) Implementation Road Map to fight undeclared work across all economic sectors.</p> <p>2. Increase of at least 20% in the number of inspections with respect to the 2019-2020 period (In 2019-20, around 85,000 labour inspections were carried out on average, so at least 102,000 labour inspections need to be carried out in the implementation period). Labour inspections shall follow the guidelines for inspection visits outlined in</p>

³³ As per data from the Migration Policy Institute, the majority of immigrants in Italy originate from Romania, Albania and Morocco. Available at: <https://www.migrationpolicy.org/programs/data-hub/charts/%C4%B0migrant-and-emigrant-populations-country-origin-and-destination?width=1000&height=850&iframe=true>

	<p>Section 5.2 ‘Supervisory powers: Inspection actions, in particular inspection visits’ of the ‘Guidelines on general principles of labour inspection’³⁴ prepared by the International Labour Organization (ILO). The inspections will be carried out by regional authorities. The inspections will be carried out in different business size classes and sectors: 81,600 (80%) will be carried out in small enterprises³⁵ and in Personal services, Trade, transport, accommodation, and catering, and Construction sectors.³⁶ Both inspections announced in advance as well as those unannounced will count towards this indicator.</p> <p>3. The reduction of at least 1/3 in the gap between the EU average and the Italian estimate regarding the incidence of undeclared work. The indicator will be based on the estimates produced by the ‘Extent of undeclared work in the European Union’ report, commissioned by the European Labour Authority every four years.³⁷ The methodology is based on the Labour Input Method, outlined in detail in the report. The report provides several estimates of undeclared work. The result will be considered achieved if <u>at least one</u> of the following conditions are met, or if the following Italian estimates for undeclared work fall below the EU average:</p> <p>a) The first indicator is ‘Undeclared work in the private sector as % of total Gross Value Added,’ according to which undeclared work in Italy stood at 20.4% in 2019 against the EU average of 14.8% (a gap of 5.6 percentage points). Hence, the result will be considered achieved if the gap in year two is reduced by at least 1.87 percentage points (a one-third reduction).</p> <p>b) The second is ‘Undeclared work in the private sector as % of the labour input,’ according to which undeclared work in Italy stood at 12.6% in 2019 against the EU average of 11.1% (a gap of 1.5 percentage points). Hence, the result will be considered achieved if the gap in year two is reduced by at least 0.5 percentage points (a one-third reduction).</p>
<p>5. Unit of measurement</p>	<ol style="list-style-type: none"> 1. Adoption of a national plan and an implementation road map 2. Percentage change and the number of labour inspections 3. Percentage point gap reduction

³⁴ Available at: https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---lab_admin/documents/genericdocument/wcms_844153.pdf

³⁵ While specific statistics on employer size are unavailable, undeclared work is typically associated with small enterprises (5-10 employees) lacking formal legal headquarters, with limited trade union presence (European Labour Authority, 2017). Available at: <https://www.ela.europa.eu/en/media/617>

³⁶ In terms of the sectors with the highest share of undeclared work, Personal services take the lead at 34.6% of the sector's value-added, followed by Trade, transport, accommodation, and catering at 20.9%, and Construction at 18.2% (Istat, 2023). Available at: <https://www.istat.it/it/files//2023/10/Report-ECONOMIA-NON-OSSERVATA-2021.pdf>

³⁷ The latest report is available at: <https://www.ela.europa.eu/sites/default/files/2023-03/Study-on-the-extent-of-undeclared-work-in-the-EU.pdf>

6. Intermediate deliverables

The first intermediate deliverable will be the **establishment of the interinstitutional working group** that will be responsible for the creation of the National Plan and Implementation Road Map. This is associated with **10%** of the total payment.

The **creation of the National Plan** will be associated with **20%** of the total payment.

The **creation of the Implementation Road Map** will be associated with another **20%** of the total payment. The Implementation Road Map should include concrete actions to:

- Strengthen the inspection capacity of the National Labour Inspectorate;
- Improve the production, collection and timely distribution of granular data on undeclared work among competent authorities;
- Introduce direct and indirect measures to transform the undeclared work into regular work so that the benefits of operating in the regular economy exceed the costs of continuing to operate undeclared. Such measures may involve the adjustment of administrative penalties to establish a fair and proportional system of sanctions for contractual breaches. Additionally, the introduction of a mandatory principle of equal treatment for all employees, regardless of their affiliation with the primary contractor or subcontractor, can foster fairness in labour relations. To further encourage compliance with labour regulations, a penalty system may be established for companies commissioning work or clients who fail to request or issue a certificate of labour adequacy. Moreover, companies found to have engaged in labour irregularities following conclusive inspections may be excluded from accessing public incentives. To incentivise responsible and ethical labour management practices, the implementation of a bonus program for employers who consistently demonstrate such behaviour is recommended;
- Carry out communication campaigns, information and awareness-raising activities in Italian, Romanian, Albanian, Arab and Amazigh, and
- Strengthen the governance system to fight undeclared work at the national and local levels.

Reduction of at least 1/3 in the gap between the EU average and the Italian estimate regarding the incidence of undeclared work will be associated with **10%** of the total payment. No payment will be granted for a smaller reduction.

The remaining 40% of the total payment will be disbursed **for increases in the number of labour inspections** with respect to the 2019-2020 period. In 2019-20, around 85,000 labour inspections were carried out on average, so at least 102,000 labour inspections need to be carried out for the full

	40% of the total payment to be disbursed. If at least 93,500 inspections are carried out, 20% of the total payment will be disbursed.
7. Document(s)/system used to verify the achievement of the result or condition	<ol style="list-style-type: none"> 1. Meeting minutes of the interinstitutional working group, indicating who the group is composed of, which organisations the members of the group represent, and the key points discussed, signed by the members of the group. 2. Copy of the officially adopted National Plan and the Road Map and links to the websites where they can be accessed. 3. List of inspections carried out accompanied by an analytical report (5-10 pages) by the National Labour Inspectorate which describes how the target in percentage terms has been achieved and analyses the data on the number of inspections and sanctions compared with historical data. 4. A link to the report 'Extent of Undeclared Work in the European Union,' indicating specific pages where the relevant figures will be published upon which the gap reduction will be estimated.
8. Management verifications (including on-the-spot) to be carried out, and by whom	<ol style="list-style-type: none"> 1. The ESF+ managing authority will ensure that the adopted national plan and the road map include the list of activities specified under operation description. 2. Every six months, the ESF+ managing authority will request a list of labour inspections conducted in the previous six months from the National Labour Inspectorate. For a random sample of at least 30 inspections, the National Labour Inspectorate will be requested to submit the reports produced following the inspections. The ESF+ managing authority will review the reports to verify that labour inspections were indeed carried out, and to the extent possible, that they followed the ILO guidelines. 3.
9. Arrangements to collect and store relevant data/documents	<ol style="list-style-type: none"> 1. The published National Plan and Road Map will be available online. 2. The information on the labour inspections held, including their location, companies inspected, and inspection outcomes is stored by the National Labour Inspectorate. No personal data will be collected. 3. The data used to produce undeclared work estimates comes from the anonymised Labour Force Survey (LFS) as well as the Structural Business Statistics. These data are collected and validated at the national level by statistical offices prior to sharing with Eurostat. The European Labour Authority contractors receive the data from Eurostat. The report discusses the prevalence of undeclared work in the EU with a three-year lag. This means that the result achieved for the second year of the programme will be available within five years since the start of the operation. This is when the final payment will be issued if the result is achieved.
10. Body responsible for ensuring the audit trail	Ministry of Labour and Social Policies

Source: own elaboration based on the RRP of Italy.

Note: figures are for illustrative purposes only.

5.3.3. Sample FNLC model for social inclusion

<p>1. Description of the operation type</p>	<p>Since the beginning of Romania's child protection reform in the early 1990s, the tasks concerning the protection of children's rights have been decentralised and shared between:</p> <ul style="list-style-type: none"> • the general directorates for social assistance and child protection, which are responsible for the special protection of children temporarily or permanently separated from their parents, and • the public social assistance services at the level of communes, towns and municipalities, which are responsible for the prevention of separation of children from their families. <p>However, only the general directorates of social assistance and child protection have been financially supported from the state budget. Public social welfare services aimed at preventing child separation from the family are only financed from local budgets, meaning that this work has been extremely limited. As a result, 32% of children identified as being at risk of separation in 2021 ended up being separated from their families.</p> <p>The general objective of the operation is to ensure the legal framework necessary to prevent the separation of the child from the family and to support the family in terms of raising and caring for the child exposed to the risk of separation. The key step in this process is to create a legal framework which would enable municipalities to provide relevant services on a continuous basis. The legal framework will allow Romania to fulfil its commitments both in terms of completing the deinstitutionalization process, but also of those assumed by ratifying the UN Convention on the Rights of the Child. The current competences of the institutions involved will be maintained, respectively the the Ministry of Family, Youth and Equal Opportunities and the National Authority for Children Rights Protection and Adoption (ANPDCA) will exercise the functions of regulation, coordination and methodological guidance, and the local authorities at the community level will exercise their duties as providers of social services, alongside the organizations accredited as social service providers.</p> <p>This measure is complemented by the creation of a network of day centres for children at risk of separation by year four of the implementation period using ERDF funds.</p>
<p>2. Conditions to be fulfilled or results to be achieved</p>	<p>1. Entry into force of a new law which shall create a framework to implement measures (including for example counselling and support for parents and children, day centres for children at risk of separation from parents, day centres for children with disabilities) to effectively prevent the separation of the child from the family and support the family in</p>

	<p>raising and caring for the child at risk of separation. The legislative act shall entail:</p> <ol style="list-style-type: none"> a. an identified stable source of funding for the measures; b. a governance mechanism with clear responsibilities assigned for the public authorities at national and local level; c. a funding disbursement mechanism conditional on the achievement of key performance indicators associated with the policy objectives. <p>2. Reduction in the number of children separated from the family and falling into the social protection system compared to 31/12/2020, from 12,139 to 6,100 (a total reduction of 6,039 children).</p>
3. Deadline	<ol style="list-style-type: none"> 1. Indicative timeline regarding the passage of a new law is Q4 of year two, but the payments will be issued if the law is passed by Q4 of year five at the latest 2. Q4 of year six regarding the reduction in the number of children separated from the family and falling into the social protection system
4. Indicator definition	<ol style="list-style-type: none"> 1. Entry into force of a legislative act necessary to prevent the separation of children from the family and support for vulnerable families. 2. Reduction in the number of children separated from the family and falling into the social protection system. Children separated from the family and falling into the social protection system include children receiving residential-type services (both public and private), as well as family-type services (foster care, children staying with relatives up to the fourth degree, children staying with other families or individuals).
5. Unit of measurement	<ol style="list-style-type: none"> 1. A legislative act 2. Change in the absolute number of children.
6. Intermediate deliverables	<p>The first intermediate deliverable towards the results to be achieved involves establishing an interministerial working group, due by Q2 of year one. The Ministry of Labor and Social Protection, following a specific consultation of all relevant interested parties, together with the Ministry of Development, Public Works and Administration will establish a working group that will draft the law proposal on the activity of preventing the separation of the child from the family. The working group will include representatives of the associative structures, namely the Association of Municipalities, the Association of Cities, the Association of Municipalities, as well as representatives of accredited public and private service providers. This intermediate deliverable is associated with 10% of the total payment.</p> <p>The second intermediate deliverable is the submission of the law proposal for approval in the Parliament, due by Q2 of year two. This deliverable is associated with 20% of the total payment.</p>

	<p>The entry into force of the adopted law (final result) is associated with another 30% of the total payment.</p> <p>Finally, the remaining 40% of the total payment will be disbursed for decreases in the number of children separated from their families and falling into the social protection system, as presented below:</p> <ul style="list-style-type: none"> • The reduction of 6,039 children (or more) will be associated with 40% of the total payment. • The reduction of at least 4,530 children will be associated with 30% of the payment. • The reduction of at least 3,020 children will be associated with 20% of the payment. • The reduction of at least 1,510 children will be associated with 10% of the payment.
	<p>No penalty will be applied if the number of children separated from their families increases during the implementation of the operation as this will most likely be the result of other factors not associated with the operation. In the event that the number of children fails to decrease but the law is passed, 60% of the payment will be available for disbursement.</p> <p>No payments will be issued if the law is not passed, even if the number of children separated from their families drops, as this would entail that the drop was not due to government intervention.</p>
<p>7. Document(s)/system used to verify the achievement of the result or condition</p>	<p>Final results:</p> <ol style="list-style-type: none"> 1. <u>Entry into force of a new law</u>: copy of the publication in the Official Journal accompanied by a summary document duly justifying how the result was satisfactorily fulfilled. This summary document shall include a reference to the relevant provisions indicating the entry into force and to the provisions which fulfil the relevant elements of the result, with appropriate links to the provision of the law available at this web link or copies of the document(s) mentioned in the summary document. 2. <u>Reduction in the number of children separated from the family and falling into the social protection system</u>: summary document duly justifying how the result was satisfactorily fulfilled. This document shall include as an annex official statistical data issued by ANPDCA, indicating the number of children separated from parents every quarter until the end of Q2 of year six, and the number of children separated from the family in 31.12.2020, demonstrating the decrease in the number of children separated from parents. <p>Intermediary deliverables:</p>

	<ol style="list-style-type: none"> 1. <u>Establishment of the interministerial working group</u>: meeting minutes for the establishment of the working group, signed by the attending organisations. 2. <u>Submission of the law proposal for approval in the Parliament</u>: a copy of the proposal for the new law and a copy of the agenda or the minutes of the Parliament proving that it was officially submitted to the Parliament.
8. Management verifications (including on-the-spot) to be carried out, and by whom	The ESF+ managing authority is responsible for verifying that the drafted legal proposal includes the changes foreseen and for ascertaining the exact number of children separated from their families.
9. Arrangements to collect and store relevant data/documents	<ol style="list-style-type: none"> 1. Entry into force of a new law: documents will be publicly available in the Official Journal <p>Reduction in the number of children separated from the family and falling into the social protection system: the excel files of the Statistical Bulletin on Labour and Social Protection will be provided, which will indicate the absolute number of children separated from their families and falling into the social protection system.</p>
10. Body responsible for ensuring the audit trail	The Ministry of Family, Youth and Equal Opportunities and the National Authority for Children Rights Protection and Adoption (ANPDCA)

Source: own elaboration based on the RRP of Romania.

Note: figures are for illustrative purposes only.

6. Conclusion

This study aimed to identify the measures which could be used as a model for FNLC schemes to be potentially included in the ESF+ programmes, including the conditions for their use. To this end, the research team scanned the RRP of all EU Member States to arrive at a selection of 12 RRP for in-depth analysis, including Belgium, Bulgaria, Croatia, Denmark, France, Italy, Lithuania, Poland, Portugal, Romania, Slovakia, and Spain. The selection included those RRP with a high number of relevant measures for the ESF+ and was diverse in terms of country geography and size. Additionally, the selected countries had their Operational Arrangements published, which included crucial details on the design of the measures included in their RRP (like the verification mechanisms), and some already had at least one RRF payment issued to them.

The RRP of the selected countries were considered and information about the measures included therein compiled in **Annex 1, which serves as a rich resource for the ESF+ managing authorities seeking inspiration on the design of FNLC schemes.** Annex 1 also provided the basis for the analysis presented in this report, which shows that **most of the relevant measures included across the RRP would meet most of**

the CPR and ESF+ requirements. To start with, they indicate the primary objective and description of the programme. The objectives are most often **intersectional**, meaning that they fall within more than one topic area of relevance to the ESF+. Among the measures covering only one topic area, milestones and targets aimed at enhancing **education and skills dominate, followed by health, social inclusion, and employment.** Measures to address material deprivation – using the definition outlined in the ESF+ Regulation – are however missing as this was not the primary goal of the RRF.

Furthermore, as required for ESF+ FNLC models by Article 95(1) of the CPR, all RRF measures specify what results have to be achieved and what indicators will be used to track progress. Although the RRF is often cited as being performance-based, **indicators that track results** (as opposed to outputs or inputs) **are the least prevalent** among the plans considered. Indicators based on outputs and inputs are less risky for the Member States to implement, easier to track, easier to associate with the funding spent, and can be achieved in a limited amount of time. However, result indicators ensure that the funding contributes to advancing key EU objectives. As a result, **a combination of output and result indicators could be considered when designing the FNLC schemes in the ESF+,** with more financial weight put towards achieving outputs than results. This strategic approach involves assigning greater financial emphasis to output achievements, particularly in the initial stages, as it is a more cautious approach, serving as an incentive for Member States to adopt FNLC and gradually transition to a more results-oriented framework. Additionally, roughly a third of the milestones and targets included in the RRP reviewed are **intermediary deliverables, which guarantee at least part of the payment even if the ultimate result is not achieved, thus reducing the risk associated with non-payment under the FNLC.**

Further in line with CPR and ESF+ requirements for FNLC models, **all measures reviewed specify verification mechanisms to ascertain that results have been achieved.** This has allowed the team to compile a list of relevant documents which could be considered by ESF+ managing authorities when designing FNLC schemes. Nevertheless, RRP provide less information on the institutions which should carry out verification checks, when they should be carried out, and how the data should be stored. Hence, these considerations have to be specified when preparing FNLC models based on existing RRP measures.

FNLC schemes hold the promise to reduce administrative burden compared to traditionally-financed programmes, but this can only be accomplished if the Member States track information on the results achieved and not the actual expenditure. However, Member States implementing the RRP tracked both data to prove the results and evidence of costs incurred. This choice was primarily motivated by the lack of clarity of requirements posed by audit authorities for RRP measures, emphasising the need for additional guidance about audit requirements in the context of FNLC. Informal discussions during the planning stage would help ensure that all stakeholders interpret the commitments made in the same way, and so would training on how to define and track results and conditions for reimbursement in an unequivocal

way. To that end, the report showcases three FNLC models, which incorporate the lessons learned.

Although some Member States tracked both results and expenditure information – which was perceived as a significant administrative burden – the national authorities commended the RRF for creating incentives to focus on structural issues and CSRs, arguing that cohesion policy funds could be spent more effectively if the results focus was adopted. This signals an appetite for FNLC schemes to be incorporated into the ESF+ programmes more broadly. However, while payments were conditioned on the achievement of milestones and targets in the RRF, FNLC is voluntary in the ESF+. Given that FNLC brings different risks to the Member States compared to real costs reimbursement (invested funds may not be recovered if targets are not achieved), making FNLC mandatory (at least partially) could be a way to further promote result-based funding under the ESF+. Furthermore, certain design elements – including the **precise definition of targets and milestones, more flexibility to amend them during the course of the programming period, balancing output-based indicators to track results with impact indicators, associating more of the payment with indicators that entail lower risk, the establishment of clear monetary consequences for failing to achieve reimbursement conditions or results, and the involvement of audit authorities in the design process** – can help reduce the risk for the Member States that the results will not be achieved.

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(*) All RRP, Council Implementing Decisions, Operational Arrangements, payment decisions, and other relevant documents for each country included in the analysis were retrieved from the Recovery and Resilience Facility website. Available at: https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/country-pages_en

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