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## PROPOSAL

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From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	28 May 2020
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2020) 447 final
Subject:	Amended proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Social Fund Plus (ESF+)

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Delegations will find attached document COM(2020) 447 final.

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Brussels, 28.5.2020  
COM(2020) 447 final

2018/0206 (COD)

Amended proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the European Social Fund Plus (ESF+)**

## EXPLANATORY MEMORANDUM

### CONTEXT OF THE PROPOSAL

- **Reasons for and objectives of the proposal**

On 30 May 2018, the Commission adopted its proposal for a Regulation on the European Social Fund Plus (ESF+)<sup>1</sup>. Since then, the European economy has faced a profound and unprecedented exogenous symmetrical shock with the COVID-19 pandemic, putting a serious strain on the economy, labour market, social and health systems of Member States. Facing this challenge, the Union should take appropriate action to recover from the health, social and economic shock caused by the COVID-19 pandemic.

On 27 May 2020, the Commission adopted a revised proposal for the next multi-annual financial framework for 2021-2027<sup>2</sup>. The proposal reflects the European response to the social and economic impact of the COVID-19 pandemic.

Both the direct and indirect effects of the COVID-19 pandemic will continue to have a substantial and harmful impact on all Member States in the medium to long-term with increasing levels of social inequalities, poverty and youth unemployment. The Commission therefore finds it necessary to amend its European Social Fund Plus proposal in order to adapt it to the new Recovery Package while enabling strategic investments in employment and social policies and systems.

In order for these investments to turn into inclusive and sustainable features of a reinvigorated growth model, and in line with the Union's commitments to implement the United Nations Agenda 2030 for sustainable Development and Paris Agreement, the amendments to the ESF+ Regulation focus, in accordance with the political guidelines of President von der Leyen, on:

- Increasing thematic concentration requirements for youth employment. As shown by earlier recessions, youth employment is more sensitive to the business cycle than adult employment and the economic recession triggered by the COVID-19 pandemic is likely to bring back dramatically high youth unemployment and NEET rates. To further support an inclusive economic recovery and school to work transitions in the changing world of work and ensure that young people make the most of the opportunities stemming from digital, resilient and green transitions, Member States with a NEET rate (age group 15 – 29) above the EU average should programme at least 15% of their ESF+ resources under shared management to targeted actions and structural reforms to support young people (increased from 10%).
- Addressing child poverty: In a logic of recovery, tackling child poverty will become even more important in the coming years in order to ensure that no child is left behind in the aftermath of the COVID-19 crisis. It is proposed to include a recital and an article requiring that Member States should allocate at least 5% of the ESF+ resources under shared management to address children in poverty.

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<sup>1</sup> COM(2018) 382.

<sup>2</sup> COM(2020) 443.

- Promoting the green and digital transitions in line with the EU Industrial Strategy<sup>3</sup>, which will require new skills for new types of jobs. In the “new normal” following the COVID-19 pandemic different skills set will be needed and new economic and business models will emerge in the European industrial ecosystems, including new local value chains, which should be supported by the European Social Fund.

The COVID-19 pandemic had a disproportionate socio-economic effect on women. Therefore, Member States should pay due account that operations strictly follow the horizontal principle of gender equality as laid down in Article 6 of the ESF+ Regulation.

The Commission also proposes the establishment of a much reinforced Health Programme<sup>4</sup> that, given its size and scope, should be a stand-alone programme. The Health Programme is therefore no longer part of the European Social Fund Plus. As a result it is necessary to amend the proposal for the European Social Fund Plus and remove all the references to the Health strand. Given, however, the need to closely coordinate the two programmes, the amended ESF+ proposal includes provisions calling for ensuring synergies and complementarity of actions between the ESF+ and the new EU Health Programme.

To learn the lessons from the current crisis, it is imperative that the legal framework for cohesion policy provides for mechanisms that can be quickly invoked should exceptional circumstances arise in the next decade. Therefore, temporary measures for the use of the ESF+ in response to exceptional and unusual circumstances are proposed to ensure that under limited and specific circumstances derogations to certain rules may be provided to facilitate response to such circumstances.

These include the possibility to extend the scope for the ESF+, such as support for short-time work schemes which are not combined with active measures and access to healthcare including for people not in immediate socio-economic vulnerability as well as to allow for easing thematic concentration requirements where necessary as a temporary measure to provide an effective response to such exceptional and unusual circumstances.

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

This proposal is consistent with existing policy provisions in the policy area and is limited to a targeted amendment of the Commission proposal for the European Social Fund Plus (COM(2018) 382) in order to allow for a more effective contribution of the ESF+ to the recovery of the economy following the impact of the COVID-19 pandemic on the economic and social situation of Member States. The aim of the ESF+ is to achieve high employment levels, fair social protection and a skilled and resilient workforce relevant to the labour market needs ready for the future world of work, in line with the principles set out in the European Pillar of Social Rights and thereby contribute to the implementation of the European Green Deal and the new Industrial Strategy.

- **Consistency with other Union policies**

The proposal is limited to targeted amendments to the proposal for the European Social Fund Plus Regulation (COM(2018) 382) and maintains consistency with other Union policies. In

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<sup>3</sup> COM(2020) 102.

<sup>4</sup> COM(2020) 405.

particular, it is consistent with the amendments to the proposal for the Common Provisions Regulation<sup>5</sup> and the European Regional Development Fund<sup>6</sup>, [and, in particular, promotes complementarity and synergies with the new Health Programme<sup>7</sup>.] It is also consistent with the amendments proposed by the Commission to the Common Provisions Regulation<sup>8</sup> for the programming period of 2014-2020 for fostering crisis repair in the context of the COVID-19 pandemic and preparing the recovery of the economy.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

- **Legal basis**

It is proposed to amend the Commission proposal for the European Social Fund Plus (COM(2018) 382) to address the current specific challenges.

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

The ESF+ has two strands. The first strand, implemented under shared management, covers the (ex-) ESF, which is based on Articles 162 and 164 TFEU, and basic material assistance to the most deprived people, under Article 175(3) TFEU. The second strand, implemented under direct and indirect management, covers actions promoting employment and social innovation (EaSI), based on Articles 46(d), 149 and Article 153(2)(a) TFEU.

Article 349 was added to cover the specificities of the outermost regions for the purposes of the first strand.

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

The amended proposal complies with the subsidiarity principle. The proposal introduces a crisis-response mechanism under the shared management rules in the form of implementing powers to the Commission to ensure that under exceptional circumstances, temporary derogations could be provided to respond to such events. The conferral of implementing powers is to enable the Commission to act immediately without needing to modify primary legislation.

- **Proportionality**

The proposal is a targeted change not going beyond what is necessary to achieve the objective of adjusting the proposal to the Commission amended proposal for the MFF.

The proposed empowerment enables the Commission to take a limited set of immediate measures, in case of future crisis, for a limited period of time and under the control of the

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<sup>5</sup> COM(2020) 450.

<sup>6</sup> COM(2020) 452.

<sup>7</sup> COM(2020) 405.

<sup>8</sup> COM(2020) 451.

Council and the Parliament which can object to the proposed modifications. It therefore complies with the proportionality principle.

- **Choice of the instrument**

The Proposed instrument: amendment of the Commission's proposal for a regulation.

The Commission has explored the scope for manoeuvre provided by the legal framework and considers it necessary to modify the proposal for the European Social Fund Plus Regulation (COM(2018) 382) in order to remove the Health Programme and to introduce an empowerment in case of a future crisis.

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

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

N/A

- **Stakeholder consultations**

There was no consultation of external stakeholders due to the extreme urgency of the situation. However, the proposal follows extensive consultations with Member States and the European Parliament over recent weeks related to the economic consequences of the crisis caused by the COVID-19 pandemic.

- **Collection and use of expertise**

N/A

- **Impact assessment**

An impact assessment has been carried out to prepare the proposal for a Regulation COM(2018) 382 of 30 May 2018. These current limited and targeted changes do not require a separate impact assessment.

- **Regulatory fitness and simplification**

N/A

- **Fundamental rights**

N/A

### **4. BUDGETARY IMPLICATIONS**

The budgetary appropriations linked to Health strand have been removed.

## 5. OTHER ELEMENTS

### • **Implementation plans and monitoring, evaluation and reporting arrangements**

The implementation of the measures will be monitored and reported upon in the framework of the reporting mechanisms established in the proposal for a Regulation COM(2018) 375 of 29 May 2018 and the proposal for a Regulation COM(2018) 382 of 30 May 2018.

### • **Explanatory documents (for directives)**

N/A

### • **Detailed explanation of the specific provisions of the proposal**

It is proposed to amend the proposal for a Regulation on the European Social Fund Plus of 30 May 2018 as follows:

- amending the legal basis by deleting Article 168 TFEU related to the removal of the Health strand;
- amendments to recitals 5, 14, 15, 16 and 23 related to the recovery of the economy;
- inserting a new recital 22a related to addressing child poverty;
- amendments to recitals 9, 10, 11, 12, 21, 35 to 45, 47 and 51 related to the removal of the Health strand;
- inserting a new recital (20a) related to synergies with the new Health Programme;
- amendments to Article 2(1), points 2 and 9; Article 3, second subparagraph and point (b) of the third subparagraph; Article 4(1), first sentence and (3); Article 5(1), (3), (4) and (5); Article 6(1); Article 7(1), second subparagraph; Articles 26 to 29; the title of Article 30, (1) first sentence and (2); Article 31(1), (2), (4) and (5); Article 32; Article 33(1) and (3); Article 37(2); Article 38(2), (3) and (6); the title of Article 42, (1) and (2) all related to the deletion of the Health strand;
- amendment to Article 2(1), point 10 for reasons of consistency across Union instruments;
- amendment to Article 5(2) as the budget for the ESF+ under shared management has decreased;
- amendments to Article 7 by introducing a new paragraph 3a for a thematic concentration requirement to support children in poverty and amending paragraph 5 related to the increased thematic concentration requirement for youth employment;
- inserting a new recital (54) and a new Article 37a related to temporary measures for the use of the ESF+ in response to exceptional and unusual circumstances;
- deleting Annex III related to the Health strand.

The legislative financial statement has also been updated.

Amended proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**  
**on the European Social Fund Plus (ESF+)**

Commission proposal COM(2018) 382 is amended as follows:

- (1) The legal basis is amended as follows:

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

- (2) recital (5) is replaced by the following:

“(5) Recent and ongoing developments have aggravated the structural challenges arising from economic globalisation, the management of migration flows and the increased security threat, clean energy transition, technological change and an increasingly ageing workforce as well as stemming from growing mismatches between demand and supply of skills and labour in some sectors and regions, experienced especially by SMEs. The green and digital transitions and the transformation of European industrial ecosystems will entail many new opportunities, if accompanied by the right set of skills, employment and social policies and actions. Taking into account the changing realities of the world of work, the Union should be prepared for the current and future challenges by investing in relevant skills, making growth more inclusive and by improving employment and social policies, while taking into account economic and industrial sustainability, labour mobility and aiming for a gender balanced labour market.”;

- (3) recitals (9) and (10) are replaced by the following:

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

(10) In view of the wider scope of the ESF+, it is appropriate that the aims to enhance the effectiveness of labour markets, promote access to quality employment, improve access to and quality of education and training, promote social inclusion and access to



healthcare for vulnerable persons and reduce poverty, are not only implemented through shared management, but also through direct and indirect management under the Employment and Social Innovation strand for actions required at Union level.”;

(4) recital (11) is deleted;

(5) recital (12) is replaced by the following:

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

(6) recitals (14) to (16) are replaced by the following:

“(14) The ESF+ should provide support to improving the quality, effectiveness, labour market relevance of education and training systems, including through promoting digital learning, the professional development of teaching staff, in order to facilitate the acquisition of key competences notably as regards basic skills, including health literacy, media literacy, digital skills and competences for sustainable development which all individuals need for personal fulfilment and development, employment, social inclusion and active citizenship. The ESF+ should help progression within education and training and transition to work, support lifelong learning and employability, and contribute to competitiveness including through graduate tracking, and to societal and economic innovation by supporting scalable and sustainable initiatives in these fields and adapted to different target groups such as persons with disabilities. This could be achieved for example through online learning, work-based training, traineeships and apprenticeships,<sup>9</sup> lifelong guidance, skills anticipation in close cooperation with industry, up-to-date training materials and delivery methods, forecasting and graduate tracking, training of educators, validation of learning outcomes and recognition of qualifications and industry-based certifications.

(15) Support through the ESF+ should be used to promote equal access for all, in particular for disadvantaged groups, to quality, non-segregated and inclusive education and training, from early childhood education and care through general and vocational education and training, notably apprenticeships, and to tertiary level, as well as adult education and learning. The ESF+ should provide targeted support to learners in need and reduce educational inequalities, including the digital divide, prevent early school leaving, foster permeability between education and training sectors, reinforce links with non-formal and informal learning and facilitate learning mobility for all. Synergies with the Erasmus programme, notably to facilitate the participation of disadvantaged learners in learning mobility, should be supported within this context.

(16) The ESF+ should promote flexible opportunities for upgrading of skills and acquiring new and different skills by all, notably digital skills and skills for key enabling technologies as well as skills for the green economy as well as industrial ecosystems in line with the EU Industrial Strategy<sup>10</sup>. In line with the Skills Agenda for

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<sup>9</sup> As defined in Council Recommendation of 15 March 2018 on a European Framework for Quality and Effective Apprenticeships.

<sup>10</sup> COM(2020) 102.

Europe and the Upskilling Pathways Recommendation<sup>11</sup>, the ESF+ should support flexible pathways, including accessible short targeted modular training leading to credentials, with a view to providing people with skills adjusted to labour market and industrial ecosystems needs, green and digital transitions, innovation and social and economic change, facilitating reskilling and upskilling and employability, career transitions, geographic and sectoral mobility and supporting in particular low-skilled and/or poorly qualified adults. The ESF+ should also facilitate the provision of integrated skills support to individuals, whether in employment, the unemployed or self-employed through instruments such as individual learning accounts.”;

(7) the following recital (20a) is inserted:

“(20a) Due to the importance of access to healthcare, the ESF+ should ensure synergies and complementarities with the Health Programme, and the ESF+ scope should include access to health care for people in vulnerable situations.”;

(8) recital (21) is replaced by the following:

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

(9) the following recital (22a) is inserted:

“(22a) With a view to addressing the persistently high level of child poverty in the Union, and in line with principle 11 of the European Pillar of Social Rights which states that children have the right to protection from poverty, and children from disadvantaged backgrounds have the rights to specific measures to enhance equal opportunities, the ambition should be that Member States allocate at least 5% of the ESF+ resources under shared management to support activities addressing child poverty in line with the specific objectives of the ESF+ that allow for programming resources towards actions directly supporting children with regards to early childcare, education, healthcare, decent housing and adequate nutrition.”;

(10) recital (23) is replaced by the following:

“(23) In order to facilitate an inclusive economic recovery after a major crisis, and support youth employment in a changing world of work and in the light of persistently

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<sup>11</sup> Council Recommendation of 19 December 2016 on upskilling pathways: new opportunities for adults.

high levels of youth unemployment and inactivity in a number of Member States and regions, it is necessary that Member States continue to invest sufficient ESF+ resources in measures to support youth employment and skills, including through the implementation of Youth Guarantee schemes. Building on the actions supported by the Youth Employment Initiative in the 2014-2020 programming period targeting individual persons and the lessons learnt, Member States should further promote employment and education reintegration pathways and invest in early prevention and outreach by prioritising, where relevant, long-term unemployed, inactive and disadvantaged young people including through youth work. Member States should also invest in measures aimed at facilitating school-to-work transition as well as adequate capacities of employment services so as to provide tailor-made and holistic support and better targeted offers to young people.

Upgrading of skills and acquiring new and different skills shall help young people seize the opportunities of growing sectors and prepare them for the changing nature of work, while also harnessing the opportunities arising from the digital and green transitions and the transformation of the European industrial ecosystems.

Therefore, Member States having a rate of young people aged 15 to 29 not in employment, education or training above the Union average in 2019 on the basis of Eurostat data, should allocate at least 15% of their ESF+ resources under shared management to those actions.” ;

(11) recitals (35) to (45) are deleted;

(12) recital (47) is replaced by the following:

“(47) Pursuant to Article [94 of Council Decision 2013/755/EU<sup>12</sup>], persons and entities established in Overseas Countries and Territories (OCTs) are to be eligible for funding subject to the rules and objectives of the Employment and Social Innovation strand and possible arrangements applicable to the Member State to which the relevant OCTs are linked.”;

(13) recital (51) is replaced by the following:

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

(14) the following recital (54) is inserted:

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<sup>12</sup> Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union ( ‘Overseas Association Decision’) (OJ L 344, 19.12.2013, p. 1).

“(54) In order to allow for a rapid response to exceptional and unusual circumstances as referred to in the Stability and Growth Pact that may arise during the programming period, temporary measures should be provided for to facilitate the use of the support from the ESF+ in response to such circumstances. Furthermore, the implementing powers in relation to the temporary measures for the use of the Funds in response to exceptional and unusual circumstances should be adopted without committee procedures given that the scope of application is determined by the Stability and Growth Pact and limited to the measures set out in this Regulation.”;

(15) Article 2(1) is amended as follows:

(a) point 2 is replaced by the following:

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

(b) point 9 is deleted;

(c) point 10 is replaced by the following:

“(10) ‘legal entity’ means any natural or legal person created and recognised as such under national law, Union law or international law, which has legal personality and which may, acting in its own name, exercise rights and be subject to obligations, or an entity without a legal personality in accordance with Article 197(2)(c) of the Financial Regulation;”;

(16) Article 3 is amended as follows:

(a) the second subparagraph is replaced by the following:

“The ESF+ shall support, complement and add value to the policies of the Member States to ensure equal opportunities, access to the labour market, fair working conditions, social protection and inclusion.” ;

(b) in the third subparagraph, point (b) is replaced by the following:

“(b) under direct and indirect management for the part of the assistance which corresponds to the objectives indicated in Articles 4(1) and 23 (the ‘Employment and Social Innovation strand’).”;

(17) Article 4 is amended as follows:

(a) in paragraph 1, the introductory sentence is replaced by the following:

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

- (b) paragraph 3 is deleted;
- (18) Article 5 is amended as follows:
- (a) paragraphs 1 to 3 are replaced by the following:
- “1. The total financial envelope for the ESF+ for the period 2021-2027 shall be EUR 97 332 282 000 in current prices.
2. The part of the financial envelope for the ESF+ strand under shared management under the Investment for Jobs and Growth goal shall be EUR 96 571 282 000 in current prices of which EUR 200 000 000 in current prices shall be allocated for transnational cooperation supporting innovative solutions as referred to in Article 23(i) and EUR 400 000 000 in current prices as additional funding to the outermost regions identified in Article 349 TFEU and the NUTS level 2 regions fulfilling the criteria laid down in Article 2 of Protocol No 6 to the 1994 Act of Accession.
3. The financial envelope for the Employment and Social Innovation strand for the period 2021-2027 shall be EUR 761 000 000 in current prices.”;
- (b) paragraph 4 is deleted;
- (c) paragraph 5 is amended as follows:
- “5. The amount referred to in paragraph 3 may also be used for technical and administrative assistance for the implementation of the programme, such as preparatory, monitoring, control, audit and evaluation activities including corporate information technology systems.”;
- (19) in Article 6, paragraph 1 is replaced by the following:
- “1. All programmes implemented under the ESF+ strand under shared management, as well as the operations supported by the Employment and Social Innovation strand shall ensure equality between men and women throughout their preparation, implementation, monitoring and evaluation. They shall also promote equal opportunities for all, without discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation throughout their preparation, implementation, monitoring and evaluation.”;
- (20) Article 7 is amended as follows:
- (a) in paragraph 1, the second subparagraph is replaced by the following:
- “Member States and, where appropriate the Commission, shall foster synergies and ensure coordination, complementarity and coherence between the ESF+ and other Union funds, programmes and instruments such as Erasmus, the Health Programme, the Asylum and Migration Fund, the Recovery and Resilience Facility and the Technical Support Instrument, both in the planning phase and during implementation. Member States and, where appropriate the Commission, shall optimise mechanisms for coordination to avoid duplication of effort and ensure close cooperation between those responsible for implementation to deliver coherent and streamlined support actions.”;

(b) the following paragraph 3a is inserted:

“3a. Member States shall allocate at least 5% of their ESF+ resources under shared management to support targeted actions and structural reforms to tackling child poverty under the specific objectives set out in points (v) and (vii) to (x) of Article 4(1).”;

(c) paragraph 5 is replaced by the following:

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

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

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

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

- (21) in Part III – Implementation under direct and indirect management, the title “Chapter I - Specific rules for the Employment and Social Innovation strand” is deleted;
- (22) the title “Section I: General Provisions” is replaced by “Chapter I - Operational objectives” ;
- (23) the title “Section II: Eligibility” is replaced by “Chapter II - Eligibility”;
- (24) Chapter II and its Articles 26 to 29 are deleted;
- (25) the title “Chapter III - Common Rules applicable to the Employment and Social Innovation and Health Strands” is deleted;
- (26) Article 30 is amended as follows:
  - (a) the title of Article 30 is replaced by the following:

“Participation of third countries”;



(b) in paragraph 1, the introductory sentence is replaced by the following:

“The Employment and Social Innovation strand shall be open to the following associated countries.”;

(c) paragraph 2 is deleted;

(27) the title “Chapter III - General Provisions” is inserted before Article 31;

(28) Article 31 is amended as follows:

(a) paragraph 1 is replaced by the following:

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

(b) in paragraph 2, the first subparagraph is replaced by the following:

“2. The Employment and Social Innovation strand shall be implemented directly as provided for by the Financial Regulation or indirectly with bodies referred to in Article [62(1)(c)] of the Financial Regulation.”;

(c) paragraphs 4 and 5 are deleted;

(29) Article 32 is replaced by the following:

#### *“Article 32*

#### ***Work programme***

The Employment and Social Innovation strand shall be implemented by work programmes referred to in Article [110] of Financial Regulation. Work programmes shall set out, where applicable, the overall amount reserved for blending operations.”;

(30) Article 33 is amended as follows:

(a) paragraph 1 is replaced by the following:

“1. Indicators to monitor implementation and progress of the strand towards the achievement of the specific objectives set out in Article 4 and the operational objectives set out in Article 23 shall be set.”;

(b) paragraph 3 is deleted;

(31) in Article 37, paragraph 2 is replaced by the following:

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

- (32) the following Article 37a is inserted in Part IV - Final provisions:

*“Article 37a*

***Temporary measures for the use of the ESF in response to exceptional and unusual circumstances***

Where the Council after [*date of entry into force of this Regulation*], has recognised the occurrence of an unusual event outside the control of one or more Member States which has a major impact on the financial position of the general government or a severe economic downturn for the euro area or the Union as a whole, as referred to in the tenth sub-paragraph of Article 5(1), the fourth sub-paragraph of Article 6(3), the tenth sub-paragraph of Article 9(1) and the fourth sub-paragraph of Article 10(3) of Regulation (EC) No 1466/97(\*) or the occurrence of unexpected adverse economic events with major unfavourable consequences for government finances, as referred to in Articles 3(5) and 5(2) of Regulation (EC) No 1467/97(\*\*), the Commission may, by way of implementing decision and for the period defined in that decision:

- (a) extend the scope of support of the ESF+, by way of derogation from Article 4(1), by allowing to support measures that are strictly necessary to respond to such exceptional or unusual circumstances, in particular to allow for financing of short-time work schemes without the requirement that they should be combined with active measures and of access to healthcare including for people not in immediate socio-economic vulnerability;
- (b) reduce thematic concentration requirements by way of derogation from Article 7.

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(\*) Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies (OJ L 209, 2.8.1997, p. 1).

(\*\*) Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6).”;

- (33) Article 38 is amended as follows:

- (a) paragraphs 2 and 3 are replaced by the following:

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

3. The delegation of power referred to in Article 15(6) and Article 21(5) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official



Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.”;

(b) paragraph 6 is replaced by the following:

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

(34) Article 42 is amended as follows:

(a) the title is replaced by the following:

“Transitional provisions for the Employment and Social Innovation strand”;

(b) paragraphs 1 and 2 are replaced by the following:

“1. Regulation (EU) No 1296/2013 of the European Parliament and of the Council<sup>13</sup> is repealed with effect from 1 January 2021.

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

(35) Annex III is deleted.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

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<sup>13</sup> Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation ("EaSI") and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion (OJ L 347, 20.12.2013, p. 238).

## LEGISLATIVE FINANCIAL STATEMENT

### 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

#### 1.1. Title of the proposal/initiative

Amended proposal for a Regulation of the European Parliament and of the Council on the European Social Fund Plus (ESF +) and repealing Regulations (EU) No. 1296/2013]

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

Investing in People, Social Cohesion & Values

Title 07

Chapter 07 02 – ESF+

#### 1.3. The proposal/initiative relates to:

☒ a new action

☐ a new action following a pilot project/preparatory action<sup>14</sup>

☐ the extension of an existing action

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

#### 1.4. Grounds for the proposal/initiative

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

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

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

<sup>14</sup> As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

notify the designation of Managing authorities to the Commission, thus avoiding the delays of the 2014-2020 period.

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

- 1.4.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

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

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

- 1.4.3. *Lessons learned from similar experiences in the past*

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

- the 2000-2006 and 2007-2013 ESF ex-post evaluations recognise ESF investments as relevant, efficient and effective. The ESF's alignment with EU policies and priorities under the Lisbon Strategy and the Europe 2020 strategy for smart, sustainable and inclusive growth was strengthened over time. At the same

time, being one of the structural funds, the ESF contributes to the Treaty's goals of economic, social and territorial cohesion through increased concentration of resources. For example, the ESF (with the associated national funding) accounts for 70 % of active measures in 11 Member States.

- through its support for young people not in employment, education or training (NEETs) in specific EU regions, the YEI raised the visibility of youth employment policies, but also brought about a shift in policy-making in a number of Member States by supporting the setting-up and implementation of youth guarantee schemes;
- preliminary results of the FEAD mid-term evaluation, including feedback from stakeholders, indicate that the food, material aid and social inclusion operations that it has supported make a difference to the most deprived, including those who might otherwise be left out of mainstream social assistance or who need immediate support;
- the mid-term evaluation of the EaSI shows that its objectives are still relevant, in particular in a challenging socio-economic context characterised by the aftermath of the financial and economic crisis and that it was effective in reaching the relevant stakeholders, generating outcomes and achieving its objectives.

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

#### *1.4.4. Compatibility and possible synergy with other appropriate instruments*

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

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

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

The ESF + will continue to support the long term integration of migrants while the AMIF will cover short term needs. As the main EU instrument for investing in human capital and skills, the ESF+ will continue to make an important contribution to human capital development in research and innovation (R&I) in synergy with Horizon Europe.

## 1.5. Duration and financial impact

### ☒ limited duration

- ☒ in effect from 01/01/2021 to 31/12/2027
- ☒ Financial impact from 2021 to 2027 for commitment appropriations and from 2021 to 2030 for payment appropriations.

### ☐ unlimited duration

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

## 1.6. Management mode(s) planned<sup>15</sup>

### ☒ Direct management by the Commission

- ☒ by its departments, including by its staff in the Union delegations;
- by the executive agencies

### ☒ Shared management with the Member States

### ☒ Indirect management by entrusting budget implementation tasks to:

- ☐ third countries or the bodies they have designated;
- ☒ international organisations and their agencies (to be specified);
- ☐ the EIB and the European Investment Fund;
- ☒ bodies referred to in Articles 70 and 71 of the Financial Regulation;
- ☒ public law bodies;
- ☒ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- ☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

## Comments

<sup>15</sup> Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:  
<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

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

For the implementation of ESF+, the current activities with international organisations like UN agencies or OECD and ILO will be continued.

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

## **2. MANAGEMENT MEASURES**

### **2.1. Monitoring and reporting rules**

*Specify frequency and conditions.*

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

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

### **2.2. Management and control system(s)**

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

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

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

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

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

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

Under the draft CPR rules, interim payments will be certified to the Commission after management checks - on a risk based sample of expenditure claims submitted by beneficiaries - have been carried out, but frequently before on the spot in-depth management checks or subsequent audit activities took place.

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

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

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

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

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

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

The reduced control environment may lead to an increase in error. It is anticipated that this risk is mitigated by the capping of reimbursements and by the annual clearance of accounts. It is however likely that corrections at national level will be higher, thus leading to a degree of frustration at Member State level. This frustration may also be fueled by the fact that the current drafting of the CPR actually obliges the Managing Authorities to carry out controls on a risk based approach rather than on the 100% basis as in the past. This requirement may also be in conflict with



existing national legislation that requires an exhaustive verification of costs declared (also for the national matching funding). This may be an element which has not been sufficiently considered in the proposal.

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

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

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

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

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

The main risks are the following:

- Risk of inefficient or non-economic use of funds awarded, both for grants (complexity of funding rules, especially for small operators) and for procurement (limited number of economic providers with the required specialist knowledge entailing insufficient possibilities to compare price offers in some sectors);
- Reputational risk for the Commission, if fraud or criminal activities are discovered; only partial assurance can be drawn from the third parties' internal control systems due to the rather large number of heterogeneous contractors and beneficiaries, each operating their own control system, often rather small in size.

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

#### **Controls before and during the implementation of the projects:**

- Model grant agreements and service contracts are being used, developed within the Commission. They provide for a number of control provisions such as audit

certificates, financial guarantees, on-site audits as well as inspections by OLAF. The rules governing the eligibility of costs are being simplified, for example, by using unit costs, lump sums, contributions not linked to costs and other possibilities offered by the Financial Regulation. This will reduce the cost of controls and put the focus on checks and controls in high risk areas.

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

- Technical implementation of a project is checked at regular intervals at the desk on the basis of technical progress reports of the contractors and beneficiaries; in addition contractors'/beneficiaries' meetings and on-site-visits are foreseen on a case by case basis.

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

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

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

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

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

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

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

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

For direct and indirect management, the yearly cost of the suggested level of controls represents approximately 3 to 7% of the yearly budget of the operational expenditure. This is justified by the high amount of transactions to be controlled. Indeed, in the area of employment and social affairs and health, direct management involve the attribution of numerous contracts and grants for actions, and the payment of numerous operating grants to non-governmental organisations and trade unions. The risk related to these activities concerns the capacity of (especially) smaller organisations to effectively control expenditure.

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

The proposed changes for the programme will not affect the way the appropriations are currently managed. The existing control system proved to be able to prevent and/or to detect errors and/or irregularities, and in case of errors or irregularities, to correct them. Therefore, historical error rates are expected to remain at the same levels.

### **2.3. Measures to prevent fraud and irregularities**

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

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

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

The Commission also implements a series of measures such as:

- decisions, agreements and contracts resulting from the implementation of the programme will expressly entitle the Commission, including OLAF, and the Court of Auditors to conduct audits, on-the-spot checks and inspections;
- during the evaluation phase of a call for proposals/tender, the applicants and tenderers are checked against the published exclusion criteria based on declarations and the Early Detection and Exclusion System (EDES);
- the rules governing the eligibility of costs will be simplified in accordance with the provisions of the Financial Regulation;

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

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

In the case of direct management, the Fraud-Risk-Assessment (FRA) was updated in 2019. The procedure to award grants comprises several fraud-detection elements, such as the widespread use of the 4-eyes principle, verifying the correctness and transparency of award procedures, having detailed procedures to avoid conflicts of interests, verifying whether applicants have been 'blacklisted' pursuant to Regulation 1605/2002, use of IT-tools like EDES and ARACHNE and looking out for other 'red flags' (fraud indicators).

In the case of the shared management of Structural Funds there is the more specific Joint Anti-Fraud Strategy (JAFS) 2015-2020 of DG Regional and Urban Policy, DG Employment, Social Affairs and Inclusion and DG Maritime Affairs and Fisheries. For the Structural Funds there is a specific regulatory anti-fraud requirement for 2014-2020 in the Common Provisions Regulation (Article 125(4)c CPR). DG EMPL through its control and audit obligations verifies that the Member States have set up, and effectively run management and control systems which make sure funds are efficiently and correctly used so as to ensure legality and regularity of expenditure. Member States are obliged to notify problems through the Irregularity Management System (IMS). DG EMPL tracks the national actions to combat fraud and if necessary sanctions a lack of action by Financial Correction Decisions regarding the ESF support granted to the programme concerned, for example in the framework of the follow-up to OLAF reports and recommendations. In addition, DG EMPL provides guidance to managing authorities, including a fraud risk assessment tool. DG EMPL actively disseminates the ARACHNE risk scoring tool to Member States.

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

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

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

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

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Investing in People, Social Cohesion and Values	Diff./Non-diff.	from EFTA countries <sup>16</sup>	from candidate countries <sup>17</sup>	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
2	07 01 01 01 Support expenditure for the “European Social Fund+ (ESF+) – shared management”	Non-diff.	No	No	No	No
2	07 01 01 02 – Support expenditure for the “Employment and Social Innovation” strand	Non-diff.	Yes	Yes	Yes	No
2	07 02 01 – ESF+ Shared Management strand – Operational expenditure	Diff.	No	No	No	No
2	07 02 02 – ESF+ Shared Management strand - Operational Technical Assistance	Diff.	No	No	No	No
2	07 02 04 – ESF+ - Employment and Social Innovation strand	Diff.	Yes	Yes	Yes	No

<sup>16</sup> EFTA: European Free Trade Association.

<sup>17</sup> Candidate countries and, where applicable, potential candidates from the Western Balkans.

### 3.2. Estimated impact on expenditure

#### 3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework	2	Investing in People, Social Cohesion and Values						
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<b>TOTAL</b>		2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
07 02 01 – ESF+ Shared Management strand – Operational expenditure	Commitments	Covered in the Proposal for Common Provision Regulation COM(2018)375								
	Payments									
07 02 02 – ESF+ Shared Management strand – Operational technical assistance	Commitments									
	Payments									
07 01 01 01 Support expenditure for the “European Social Fund+ (ESF+) – shared management”	Commitments = Payments									
07 02 04 – ESF+ - Employment and Social Innovation strand	Commitments	99,944	101,993	104,083	106,214	108,389	110,606	112,271		743,500
	Payments	28,093	59,077	76,826	81,534	83,939	85,782	87,369	240,880	743,500



Human resources		91,207	91,207	91,207	91,207	91,207	91,207	91,207	91,207	91,207		638,448
Other administrative expenditure		5,073	5,073	5,073	5,073	5,073	5,073	5,073	5,073	5,073		35,514
<b>TOTAL appropriations under HEADING 7 of the multiannual financial framework</b>	<b>96,280</b>	<b>96,280</b>	<b>96,280</b>	<b>96,280</b>	<b>96,280</b>	<b>96,280</b>	<b>96,280</b>	<b>96,280</b>	<b>96,280</b>	<b>96,280</b>		<b>673,962</b>

EUR million (to three decimal places)

		2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
<b>TOTAL appropriations across HEADINGS of the multiannual financial framework</b>	Commitments	198,724	200,773	202,863	204,994	207,169	209,386	211,051		<b>1.434,963</b>
	Payments	126,873	157,857	175,606	180,314	182,719	184,562	186,149	240,880	<b>1.434,963</b>



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

- ☐ The proposal/initiative does not require the use of appropriations of an administrative nature
- ☒ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
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For human resources, the figures presented below are based on the allocation as granted to DG EMPL in 2018 (SEC(2017)528), from which are deducted the staff allocated to the European Globalisation Fund, subject to a separate proposal COM(2018)380.

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

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

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
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#### TOTAL

Outside HEADING 7 <sup>19</sup> of the multiannual financial framework								
Human resources								
Other expenditure of an administrative nature	2,500	2,500	2,500	2,500	2,500	2,500	2,500	17,500
<b>Subtotal outside HEADING 7 of the multiannual financial framework</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>17,500</b>

<b>TOTAL</b>	<b>98,780</b>	<b>98,780</b>	<b>98,780</b>	<b>98,780</b>	<b>98,780</b>	<b>98,780</b>	<b>98,780</b>	<b>691,460</b>
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<sup>19</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

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

The appropriations for the shared management part of the ESF+ are detailed in the LFS for the Common Provision Regulation (CPR) COM(2018)375

### 3.2.2.1. Estimated requirements of human resources

- ☐ The proposal/initiative does not require the use of human resources.
- ☒ The proposal/initiative requires the use of human resources, as explained below:

*Estimate to be expressed in full time equivalent units*

Years	2021	2022	2023	2024	2025	2026	2027
<b>• Establishment plan posts (officials and temporary staff)</b>							
<b>TOTAL Establishment plan posts (Officials and temporary staff)</b>							
Headquarters and Commission's Representation Offices	599	599	599	599	599	599	599
Delegations	0	0	0	0	0	0	0
Research	0	0	0	0	0	0	0
<b>• External staff (in Full Time Equivalent unit: FTE) – AC, AL, END, INT and JED <sup>20</sup></b>							
<b>Heading 7</b>							
<b>DG EMPL</b>							
Financed from HEADING 7 of the multiannual financial framework	- at Headquarters	71	71	71	71	71	71
	- in Delegations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Financed from the envelope of the programme <sup>21</sup>	- at Headquarters						
	- in Delegations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other (specify)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>TOTAL External Staff (in FTE)</b>		<b>71</b>	<b>71</b>	<b>71</b>	<b>71</b>	<b>71</b>	<b>71</b>
<b>GRAND TOTAL</b>		<b>670</b>	<b>670</b>	<b>670</b>	<b>670</b>	<b>670</b>	<b>670</b>

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

Description of tasks to be carried out:

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

<sup>20</sup> AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

<sup>21</sup> Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

### 3.2.3. Third-party contributions

The proposal/initiative:

- ☒ does not provide for co-financing by third parties
- ☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

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

### 3.3. Estimated impact on revenue

- ☒ The proposal/initiative has no financial impact on revenue.
- ☐ The proposal/initiative has the following financial impact:
  - ☐ on own resources
  - ☐ on other revenue

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

EUR million (to three decimal places)

Budget revenue line:	Impact of the proposal/initiative <sup>22</sup>						
	2021	2022	2023	2024	2025	2026	2027
Article .....							

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

[...]

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

[...]

<sup>22</sup>

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

