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Position Paper
of Germany's Federal ESF Managing Authority
the ESF as of 2021
- for a new "Lean Fund Management" (LFM) -

I. General principles: Current level of complexity must be reduced so that a more efficient and needs-oriented use of ESF funds can be implemented

Given the challenges of the future and with an eye to future European and national objectives to be set forth in the post Europe 2020 strategy, it is increasingly important that the limited ESF resources are used efficiently and in a needs-oriented fashion.

The time and cost needed for the implementation of the funding on the part of the administration and the project operators is no longer proportionate. In the funding period 2014 - 2020, there is such a high degree of complexity that the flexible, rapid and legally secure use of ESF funds is made considerably more difficult, especially in periods of economic crises and special problem situations.

The legitimate complaints of project implementation bodies are piling up; policymakers and administrators must therefore react with a view to the upcoming funding period. If no changes are made, the public's opinion of the European Union as a bureaucratic entity out of touch with the social reality of the people will be strengthened despite good ESF programmes. This can be prevented with an appropriate new "**Lean Fund Management**" (LFM), and the European idea can be promoted at the grass-roots level. **The following LFM proposals can thus restore the necessary balance between careful monitoring of expenditure of public funds, focus on results of programmes, and their practical and timely implementation.**

In future, rules should be evaluated on the basis of existing experience¹. Legal provisions should be reviewed to determine whether they have actually proven to be practical, effective and appropriate for a proper use of funds and an effective performance measurement. Instead of the current practice of issuing entirely new regulations and implementing regulations for each funding period, the set of rules applicable during the previous funding period should remain in force in order to bring about more legal certainty, continuity and clarity. What has worked well should be preserved and inexpedient requirements should be abolished and not be replaced by new rules. Changes to the rules governing the implementation of the ESF must be made well before the beginning of a new funding period. The delayed adoption of rules and regulations (on implementation) and their retroactive application must be avoided at all cost in the future. Ideally, the legal basis would be so clear that it needs no changes and only few additions.

II. The LFM proposals

Programming procedures and conditions of promotion

1. In general, the programming process should be considerably streamlined and redundancies avoided in terms of overlaps of content between operational programmes and the partnership agreement. If there must be a partnership agreement, its content should at least be limited to overall strategic agreements between the European Commission and Member States.
2. Setting preconditions that must be met on the part of Member States in order to receive funds from the structural funds and that ensure proper and efficient ESF implementation (ex ante conditionalities) has proven itself effective on the whole.
3. Confidence in the **reliability of the management and control systems** (keyword “designation”) should be easier to obtain, also with regard to the acquis, and corresponding procedures should not delay reimbursement of expenditure across Europe.

Cf. also the Commission's work programme for 2016 and the annual report of the European Court of Auditors for 2015

Where systems have demonstrably functioned effectively in the past, additional disclosure and documentation requirements should be reduced.

4. The thematic **concentration** approach could be further promoted by the further bundling of funding priorities to achieve maximum effects.

Modalities of programme implementation require considerable simplification

5. Initial practical experience has shown that the introduction of the "**performance framework**" and the "performance reserve" as an incentive or sanction mechanism considerably complicates programming. The related setting of financial and participant-related targets contributes significantly to reducing flexibility in the use of ESF funding. Implementation arrangements have therefore had a serious, sometimes negative, impact on the thematic focus of funding, since the implementation mechanism and quantifications threaten to determine the contents of the support measures. This significantly hampers or even prevents the development of and experimentation with new ideas and approaches for tackling social problems and hence social innovation. There is also the risk of a concentration of ESF funding in "promising" target groups (keyword "creaming"). However, ESF funds should continue to be used to try out new approaches to labour market integration, especially for those difficult to place in the labour market.
6. Annual reports, decommitment rules and evaluations are more sensible instruments for **incentive and monitoring methods** and a focus on results. Through evaluations, the effectiveness, efficiency and results of ESF interventions can be qualitatively and quantitatively analysed and rated comprehensively.
7. The number of common and programme-specific **indicators** must be reduced to a reasonable level for everyone involved. It should not be mandatory to collect sensitive information that falls under data-privacy laws and the requirements for electronic storage of individual participants' data should be reviewed with a critical eye. The current level is neither reasonable for those required to supply the data nor useful to the other side for evaluations. In addition, the project operators have to spend significant time on this which is then not available for the actual work with the participants. This is particularly serious in

cases in which data to be collected jointly across the EU are not related to the thematic focus of individual support measures.

8. The **request for payment procedure**, the **payment procedure** and in particular the newly introduced system of **annual accounts** should be analysed to determine whether risks for the EU budget are kept to a minimum and the relationship to the desired outflow of funds and programme implementation is maintained.
9. **Financial data collection** must be reduced to a reasonable level. Due to the **categorisation sheet** required once a year as part of the reporting of financial data, the current guidelines lead to matrix systems, which may include tens of thousands of lines depending on the number of projects funded. Such data sets cannot be usefully evaluated and should therefore be substantially reduced.
10. The legal requirements in the field of **electronic data exchange systems** have increased considerably compared to the previous funding period. Among other things, for each supported project 113 data fields now have to be stored electronically. Multiplied over the IT systems, their collection leads to several hundred fields plus entities. In the 2007 to 2013 programming period, the number of data fields per project was only 40. Due to the extremely high administrative burden in the development of IT systems and the collection of data caused by this, there are significant delays in legally secure programme starts as a result. The number of data fields should thus be cut to 40 again.
11. Simplification opportunities that **minimise errors** and can be passed on directly to the project operators, should be further expanded (e.g. simplified cost options). It should be ensured that they are also easy to apply and optional.