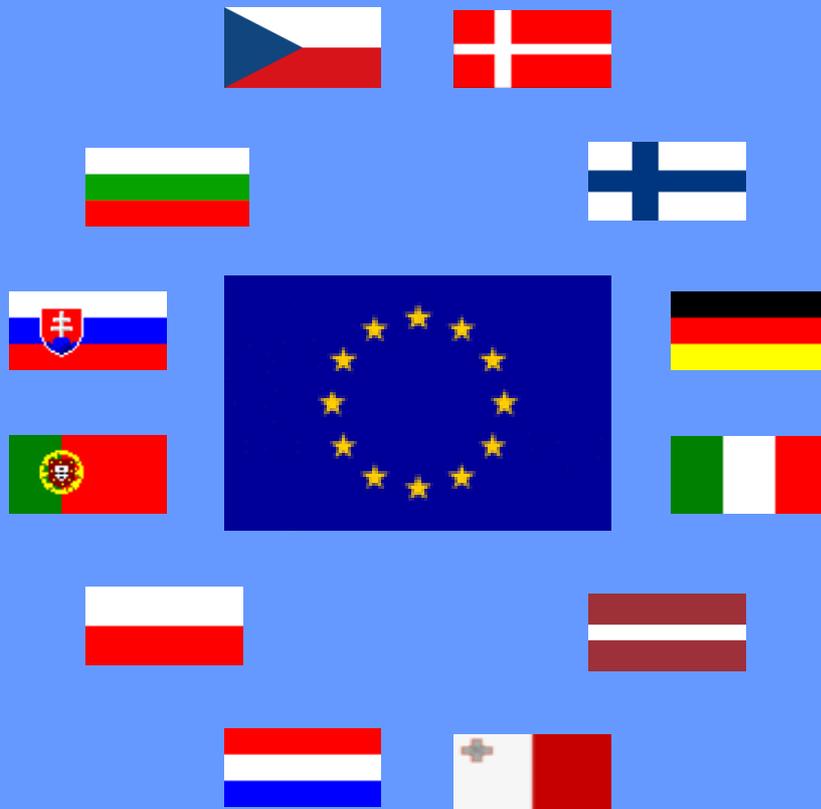


Report to the  
Contact Committee  
of the heads of the Supreme Audit Institutions  
of the Member States of the European Union  
and the European Court of Auditors



on the parallel audit on  
Contribution of the Structural Funds  
to the Europe 2020 Strategy in the areas of  
Employment and/or Education

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## **Executive summary**

In 2015, the Contact Committee of the heads of the Supreme Audit Institutions (SAIs) of the Member States of the European Union and the European Court of Auditors mandated the Working Group on Structural Funds to continue its review of issues relating to Structural Funds, more specifically, to carry out a parallel audit on the 'Contribution of Structural Funds to the Europe 2020 Strategy in the areas of education and employment'.

The Working Group consisted of eleven SAIs, while a further SAI and the European Court of Auditors acted as observers. The parallel audit was carried out in order to examine whether the Structural Funds' Operational Programmes (OPs) provide the necessary framework to meet the goals of the Europe 2020 Strategy and whether funding contributes to these goals. It focused on the audited OPs identified by the participating SAIs, as well as a selection of approved projects that were directly related to education and employment. The comparison of the national results was intended to establish similarities or differences across the Member States, as well as to identify good practice examples.

In conclusion, the participating SAIs concur that OPs provide the necessary basis to support the achievement of Europe 2020 Headline Targets in the areas of employment and education. However, at this point it is too early to confirm that the implementation of OPs in projects effectively contributes to these goals as expected. The following are the main conclusions and recommendations:

### Design of OPs

- Overall, OPs were properly prepared, notwithstanding minor weaknesses. The audit revealed that the complexity of rules governing Structural Funds and the requirements for establishing the OPs increased in this programming period.

We recommend to the European Commission (Commission) addressing these challenges, especially by simplifying the system of targets and improving and simplifying templates for the Partnership Agreements and OPs.

- In general, the system of indicators and corresponding targets provides a sound basis for facilitating assessment of progress in programme

implementation. Nevertheless, audit results suggest that there is the need for improved transparency, suitability and manageability of indicators, including both the programme-specific indicators defined by the Member States and the common indicators specified in fund-specific regulations.

We recommend that the Commission evaluate the suitability of the set of common indicators. The Member States and the Commission should also examine whether all the information gathered is necessary and whether data collection obligations can be reduced. Furthermore, we recommend that Member States explicitly justify the choice of financial, output and result indicators in order to enhance transparency of the OPs.

- The introduction of the Performance Framework in the funding period 2014-2020 can be a first step leading to a stronger result orientation. However, the Commission's emphasis on financial and output indicators may create counterproductive incentives.

We recommend that MAs use options to establish as close and immediate a link between selected indicators for the Performance Framework and the intended results as possible. In order to enhance result-orientation, the Member States and the Commission should work closely together when designing rules pertaining to financial incentives in the next programming period.

- The Member States had monitoring and evaluation systems in place that have been assessed as being adequate in general. Reasons for the delayed functioning in some cases might include the late adoption of EU implementing regulations and guidance documents. The audit has highlighted the importance of ex-ante evaluations as an instrument for enhancing the design of OPs.

The Commission and Member States should ensure that relevant EU implementing regulations are finalized in due time before the beginning of the programming period. Furthermore, Member States should be able to reuse as many elements of their existing national monitoring systems as possible for the new period. We recommend that MAs pay closer attention to findings and conclusions of ex-ante evaluations when designing subsequent OPs. We address recommendations to the MAs and the Member States for enhancing

monitoring and evaluation, e.g. use the data of national statistics where appropriate.

- In the vast majority of cases, the proposed interventions in the OPs follow a sound intervention logic and are therefore considered potentially effective. On a general note, guiding principles for the selection of projects are sufficiently result-orientated and contribute to their potential effectiveness. The criterion of efficiency has not always been adequately considered in the selection process.

We recommend that MAs strengthen the instrument of intervention logic of Structural Funding by further clarifying the relations between actions and results and especially the contribution to specific objectives and Headline Targets. Furthermore, we recommend that MAs pay more attention to the criterion of efficiency as part of guiding principles for the selection of projects.

- Audit findings suggest a need for adjusting OPs during the programming period to reflect current events. However, the conditions that have to be met when making changes to the OPs are too cumbersome to live up to the MAs' needs in practice.

We recommend that the Commission take into account simplifications of the legal provisions governing programming for the next period in order to allow a more flexible adaptation of OPs reflecting current events.

### Implementation of OPs

- Since the number of projects assessed was low, we do not deem them as being representative of all projects approved. Nevertheless, the selected projects provide an insight into the implementation of the OPs.
- For almost every assessed project the MA defined clear selection and award criteria, which are in most projects – at least partly – linked to the intended results of the OP and the Europe 2020 Headline Targets. The beneficiaries responsible for preparing the projects met these criteria. In the vast majority of cases, they also explained adequately or at least to some extent the way in which the goals were to be reached. Cost efficiency was not always reported as an essential criterion in the selection process.

We recommend that MAs use opportunities for further improving the selection process, including efforts to ensure that

- in all cases there are clear selection and award criteria, which are linked to the intended results of the OP and the Europe 2020 Headline Targets;
  - in all approved projects there is a clear explanation of the way in which the goals of the project shall be reached;
  - the grantor establishes a conclusive relationship of the project selection with the OP and Europe 2020 Headline Targets.
- MAs have taken measures to collect data on project results and the extent to which goals have been reached. The way in which data is collected varies by Member State.

We recommend that MAs ensure that the grantor insists on the indicators set and does not adapt the measurement of outputs and results to information provided by the grantee. Transparent and unambiguous project result indicators and procedures for measuring them are indispensable.

- It is difficult at this stage to draw conclusions on first results, effectiveness and efficiency of the projects assessed, as many projects are still ongoing. It is not yet possible to conclude whether activities will contribute to the Europe 2020 Strategy and offer European added value.

We recommend that MAs make sure that the OP and Europe 2020 Headline Targets are still in focus when changing the project selection and award criteria retroactively, and operationalize the processes of grant reduction in case of non-compliance with the goals. When evaluating results they should focus especially on establishing the relationship between project results and the OP targets as well as the Europe 2020 targets.

# I. Introduction

## 1. Background and objective of the audit

In 2010, the Europe 2020 Strategy was launched to create the conditions for smart, sustainable and inclusive growth within the next ten years. According to the Common Provisions Regulation (EU) No 1303/2013 (hereafter CPR), the European Structural and Investment Funds (hereafter ESIF) are to play a significant role in the achievement of the objectives of the Europe 2020 Strategy. The European Union (hereafter EU) budgeted €454 billion for ESIF in 2014-2020. This means that over half of EU funding is channelled through ESIF. Of the €454 billion, €349 billion comprise funding allocated to the European Social Fund (hereafter ESF), the European Regional Development Fund (hereafter ERDF), the Youth Employment Initiative (hereafter YEI), and the Cohesion Fund (hereafter CF).

Against this background, the Contact Committee of the Supreme Audit Institutions (hereafter SAIs) mandated the Working Group on Structural Funds in 2015 to carry out an analysis of the contribution of Structural Funds to the Europe 2020 Strategy in the areas of education and employment. This approach is in line with the European Commission's (hereafter Commission) Budget Focused on Results initiative, which aims at maximising the EU's budgetary effectiveness in supporting growth, jobs and stability across Europe and beyond.

In essence, this audit examined as to whether the Structural Funds' Operational Programmes (hereafter OPs) provide the necessary framework to meet the goals of the Europe 2020 Strategy and whether funding in this sense contributes to these goals. To this end, the main audit question was:

*"Are ESF and ERDF interventions designed and implemented to effectively contribute to the Europe 2020 Strategy in the areas of employment and education and is this supported by initial results?"*

This parallel audit was carried out by the SAIs of eleven Member States, namely, the Czech Republic, Denmark, Finland, Germany, Italy, Latvia, Malta, the Netherlands, Poland, Portugal, and the Slovak Republic. The European Court of Auditors and the SAI of Bulgaria acted as observers. The Core Group was chaired by the German SAI, with Malta and the Netherlands as members.

The parallel audit focused on the audited OPs identified by the participating SAIs, as well as approved projects that were directly related to education and employment.

The comparison of the national results was intended to establish similarities or differences across the Member States, as well as to identify good practices. These good practices may not necessarily be applicable to all Member States and are intended to reflect lessons learnt identified by the SAIs.

## **2. Audit subject**

The eleven participating SAIs of the Working Group carried out detailed reviews of their respective Structural Funds OPs in order to identify whether these could contribute to the Europe 2020 targets. Furthermore, eight of the participating SAIs examined a sample of approved projects to verify conformity with the terms of their respective OP, and analysed the eligibility and selection criteria applied.<sup>1</sup> Structural Funds examined in this parallel audit covered the period 2014 to mid-2016 and comprised the ESF and the ERDF.

In addressing the set objectives, five SAIs audited ERDF and ESF OPs, while six SAIs audited exclusively ESF OPs. The audited EU funds accounted for €12.8 billion in respect of ESF and €1.8 billion in respect of ERDF, representing 28 per cent of the ESF and 1.7 per cent of the ERDF with respect to the Member States that participated in this parallel audit. Table 1 presents the funding allocated to ESF, ERDF, CF and YEI, as well as the OPs audited in the participating Member States.

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<sup>1</sup> The Italian SAI also selected projects, but did not carry out an analysis as the projects were at an early stage of implementation.

**Table 1: EU Funds 2014-2020 available and audited in the participating Member States**

	EU funds 2014-2020 available - in TEUR -				EU Funds covered in the audit - in TEUR (percentage) - <sup>a</sup>	
	ESF	ERDF	CF	YEI	ESF	ERDF
<b>Czech Republic</b>	3,416,403	11,940,690	6,258,925	27,200	1,249,887 (36.6%)	1,421,309 (11.9%)
<b>Denmark</b>	206,616	206,616	-	-	116,345 (56.3%)	68,002 (32.9%)
<b>Finland</b>	515,357	789,099	-	-	497,304 (96.5%)	0
<b>Germany</b>	7,495,616	10,773,843	-	-	2,581,747 (34.4%)	0
<b>Italy</b>	9,900,879	20,650,353	-	1,135,022	2,666,244 (26.9%)	0
<b>Latvia</b>	609,545	2,401,252	1,349,415	58,022	232,752 (38.2%)	277,461 (11.6%)
<b>Malta</b>	105,893	384,354	217,742	-	90,740 (85.7%)	26,905 (7%)
<b>Netherlands</b>	507,318	507,318	-	-	487,025 (96%)	33,216 (6.5%)
<b>Poland</b>	13,192,164 <sup>b</sup>	40,213,870	23,207,989	-	1,641,657 (12.4%)	0
<b>Portugal</b>	7,543,112	10,776,916	2,861,742	160,772	2,753,124 (36.5%)	0
<b>Slovak Republic</b>	2,167,595	7,360,295	4,168,251	72,175	458,747 (21.2%)	0
<b>Total</b>	45,660,498	106,004,606	38,064,064	1,453,191	12,775,572 (28%)	1,826,893 (1.7%)

Source: Country reports and Commission data

**Note:**

a. Without Technical Assistance.

b. This amount was derived from the Polish Partnership Agreement.

The allocation of Structural Funds facilitates the achievement of the objectives of the Europe 2020 Strategy. In this sense, actions co-financed through the Structural Funds should be focused on supporting common thematic objectives (hereafter TOs) that are closely linked to the Europe 2020 Strategy Headline Targets. These TOs are defined in Article 9 of the CPR. The CPR defines 11 TOs, two of which (8 and 10) are directly related to employment and education, while TO 9 is indirectly linked to these areas:

- a. TO 8: Promoting sustainable and quality employment and supporting labour mobility;
- b. TO 9: Promoting social inclusion, combating poverty and any discrimination; and

- c. TO 10: Investing in education, training and vocational training for skills and lifelong learning (LLL).

Table 2 presents an overview of the funds and TOs audited by the participating SAIs. The TO on employment was audited by eight SAIs, whereas the TOs on education and poverty reduction were each audited by seven SAIs. Four SAIs audited all three TOs, three SAIs audited two of the TOs, while the remaining four SAIs audited one TO. The Danish SAI also audited TO 3 of the Member State's ERDF OP, which was related to the creation of employment. Furthermore, the SAI of the Czech Republic audited one OP that was primarily aimed at education. In doing so, the Czech SAI audited the OP in its entirety, including TO 1, due to its indirect relation to the Headline Target on education.

**Table 2: Audit scope (funds and TOs)**

	Number of audited OPs <sup>a</sup>		TOs covered in the audit			
	ESF (+YEI)	ERDF	TO 8 (employment)	TO 9 (poverty reduction)	TO 10 (education)	other
<b>Czech Republic</b>	1	1	-	✓	✓	TO 1
<b>Denmark</b>	1	1	✓	✓	-	TO 3
<b>Finland</b>	1	0	✓	✓	✓	-
<b>Germany</b>	1	0	✓	✓	✓	-
<b>Italy</b>	5	0	✓	-	-	-
<b>Latvia</b>	1	1	-	-	✓	-
<b>Malta</b>	1	1	✓	✓	✓	-
<b>Netherlands</b>	1	1	✓	✓	-	-
<b>Poland</b>	3	0	✓	-	-	-
<b>Portugal</b>	2	0	✓	✓	✓	-
<b>Slovak Republic</b>	1	0	-	-	✓	-
<b>Total</b>	<b>18</b>	<b>5</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>2</b>

Source: Country reports

**Note:**

- a. With regard to certain Member States, particular OPs corresponded to more than one Fund. In the case of the Czech Republic and Latvia, the SAIs audited one OP that included ESF and ERDF.

Further to a review of their respective OPs, eight SAIs carried out an analysis of a sample of approved projects. Although SAIs were to draw a sample of six projects for each Fund that was reviewed, this was not always possible since the number of approved projects was low in individual cases. Table 3 shows that the number of approved projects varied considerably among Member States, ranging from two to 2,471. The average planned expenditures in respect of these approved projects also varied across Member States, ranging from an approximate €67,000 to €4.5 million. The average planned expenditures with respect to the projects selected for review increased to over €2 million per project, which was mainly attributable to the sampling of projects high in materiality.

**Table 3: Projects approved by 30 June 2016 (excluding national co-financing)**

	Approved projects	Value of approved projects (TEUR)	Audited projects				Value of audited projects (TEUR)
			TO8	TO9	TO10	TO3	
<b>Czech Republic</b>	37	131,111	-	-	-	-	0
<b>Denmark</b>	93	106,700	2	1	-	3	13,540
<b>Finland</b>	719	85,974	3	1	3	-	3,198
<b>Germany</b>	1,885	874,352	2	1	3	-	22,698
<b>Italy</b>	900	-	-	-	-	-	-
<b>Latvia</b>	2	8,925	-	-	2	-	8,925
<b>Malta<sup>a</sup></b>	6	22,122	2	-	4	-	22,122
<b>Netherlands</b>	2,471	166,143 <sup>b</sup>	6	6	-	-	36,116 <sup>b</sup>
<b>Poland</b>	1,021	530,193	11	-	-	-	8,243
<b>Portugal</b>	1,381	1,568,323	6	6	8	-	97,453
<b>Slovak Republic</b>	-	-	-	-	-	-	-
<b>Total</b>	<b>8,515</b>	<b>3,493,843</b>	<b>32</b>	<b>15</b>	<b>20</b>	<b>3</b>	<b>212,295</b>

Source: Country reports

**Notes:**

- a. In the case of Malta, the cut-off date was extended to 30 November 2016.
- b. The value of one of the approved projects could not be provided by the Managing Authority.

### **3. Methodology**

Research undertaken by the SAIs included a review of literature related to the audited Funds, an in-depth analysis of the relevant legal framework, as well as documentation specifically relevant to the national context. Documentation reviewed in this respect included the Europe 2020 Strategy, guidance documents for the Investment Priorities (hereafter IPs), the performance framework, and documents related to the application of the legal framework across Member States. Of relevance to this audit was the pertinent legislation that addressed the various features of the OPs. The legal framework included the CPR, as well as fund-specific regulations relating to the ESF and ERDF.

In addressing the audit objectives, the Working Group established a questionnaire that served as the basis for SAIs to carry out the parallel audit. To this end, eight participating SAIs forwarded this questionnaire to their respective Managing Authority (hereafter MA), while three SAIs (Czech Republic, Denmark and Latvia) opted to carry out the audit through desk research of official documentation related to the audited OPs. The questionnaire was firstly aimed at extracting general and financial information on the OPs within the broader context of Structural Funds. Secondly it sought to establish as to whether the OPs were drawn up in a manner that can contribute to the Headline Targets on education and employment. Finally the survey also focused on aspects relating to the implementation of the OPs.

Following the submission of documentation by their respective MA, most SAIs conducted interviews with the MA in order to obtain the required clarifications. Three SAIs (Finland, Latvia and the Netherlands) also conducted interviews with the respective Intermediate Bodies.

With particular reference to the implementation of OPs, a sample of approved projects was analysed. To the extent possible, SAIs were to select six approved projects from each audited Fund, based on materiality and the status of the projects. Projects sampled were not deemed representative of all projects approved. Of the participating SAIs, eight audited the implementation of the OPs, while three SAIs (Czech Republic, Italy and Slovak Republic) did not, because they considered it too early in the process to do so. Different approaches were

adopted by the SAIs in analysing the projects, which varied from a review of documentation provided by the MA to site visits at the beneficiaries' premises.

A standard approach was adopted by the participating SAIs with respect to the criteria applied in assessing the OPs. This approach was also used for compiling the composite report (Table 4 refers). Although this approach provided some degree of standardisation, an element of discretion in applying criteria by the SAIs remained.

**Table 4: Criteria for assessment**

<b>Explanation</b>	<b>Criteria for Assessment</b>
<b>No explanation</b>	The OP and/or other documents do not explain why the MA took the decision.
<b>Some explanation</b>	The OP and/or other documents provide an explanation.
<b>Explanation available</b>	A detailed explanation is provided in the OP and/or other documents, which is (partly) supported by evidence (for instance, lessons learned, studies, evaluations, reports, and statistical data). Nevertheless, the SAI sees scope for improvement.
<b>Adequate explanation</b>	A detailed explanation is given in the OP and/or other documents, which is (partly) supported by evidence (for instance, lessons learned, studies, evaluations, reports, and statistical data).

## II. Europe 2020 Strategy: relevant targets and indicators

The Europe 2020 Strategy is aimed at addressing Europe's structural weaknesses, intended at rendering the EU a smart, sustainable and inclusive economy with high levels of employment, productivity, and social cohesion. This strategy document established five Headline Targets that are to be achieved across the EU by 2020, namely regarding the areas of employment, research and development, climate, education, and poverty.

This parallel audit focused on employment and education, with Headline Targets 1 and 4 deemed directly relevant. Headline Target 5, which addresses poverty, was also considered an integral part of this audit, particularly in relation to employment and education and specifically in terms of enhancing active inclusion and creating opportunities for all (Table 5 refers).

**Table 5: Overview of the Headline Targets reviewed**

Europe 2020 Strategy Headline Targets	EU-wide indicators
<b>1. Employment</b>	75% of the 20-64-year-olds to be employed
<b>4. Education</b>	reducing school drop-out rates below 10% at least 40% of 30-34-year-olds completing third level education
<b>5. Fighting poverty and social exclusion</b>	at least 20 million fewer people in or at risk of poverty and social exclusion

To establish the relevance of the Headline Targets across the EU, an understanding of their definitions as adopted by the Commission is essential. Key terms are defined as follows:

- a. employment rate - the percentage of employed persons in relation to the comparable total population of working age;
- b. early school leaver - a person aged between 18 and 24 who has completed, at most, lower secondary education and is not involved in further education or training;
- c. International Standard Classification of Education (ISCED) - a classification system used in determining tertiary level education, where tertiary education or higher is classified as ISCED levels 5 to 8;

- d. at-risk-of-poverty rate - the share of people with an equivalised disposable income<sup>2</sup> below the threshold of 60 per cent of the national median equivalised disposable income.

In order to facilitate the adoption of the Europe 2020 Strategy, the Commission proposed that the EU-wide goals should be translated into national targets and trajectories, designed according to the particular circumstances of each Member State. In this respect, national targets may differ from those set at EU level. In its stock-taking of the Europe 2020 Strategy from March 2014, the Commission noted that progress towards the Europe 2020 targets has been varied and that the crisis has had a clear impact, particularly on employment and levels of poverty. The crisis has also constrained progress towards most other targets and exacerbated the differences in performance between Member States in several areas.

This parallel audit reviewed the targets set by the participating SAIs' countries. Further to a review of the national targets on employment, education and poverty, the following variations from the definitions of the Europe 2020 Headline Targets were most evident in the participating SAIs' Member States<sup>3</sup>:

- a. Three variations were noted in terms of early school leaver rates: One of the SAIs (Finland) noted that this percentage was based on persons aged between 18 and 24 years who were not in possession of a degree after elementary level and were not in education leading to a degree. In the case of another Member State (the Netherlands), persons who only completed the lowest level of vocational education were considered early school leavers. Finally, another SAI (Latvia) stated that this percentage was based on the attainment of primary education or lower.
- b. One variation was noted in terms of tertiary degrees: One SAI (Germany) noted that its Member State's definition included individuals who held an ISCED level 4 degree.

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<sup>2</sup> Equivalisation refers to the adjustment of a household's income for size and composition in order to enable the comparison of the incomes of all households.

<sup>3</sup> This list is not exhaustive. It details the variations from the Europe 2020 Headline Targets that were most evident.

- c. One variation was noted with respect to the poverty and/or social exclusion target: One SAI (Denmark) stated that this target was based on households experiencing under-employment.

### **III. Audit findings on the design of the Operational Programmes**

Each Member State was required to draw up and implement a Partnership Agreement for the 2014-2020 programming period covering the ESIF. These were negotiated with the Commission and lay down the Member State's overarching strategic objectives for the Funds. The Member States selected TOs and IPs while taking into account country-specific aspects and needs.<sup>4</sup>

Furthermore, Member States had to devise fund-specific or multi-fund OPs. In these, the IPs and objectives of the Partnership Agreement are broken down into individual actions. The CPR stipulates detailed requirements for the content of the OPs to facilitate the presentation of a consistent intervention logic to tackle the needs identified, to set out the framework for performance assessment and to underpin the effective and efficient implementation of the Funds.<sup>5</sup> In addition to this, applicable ex-ante conditionalities which are defined in the CPR and the fund-specific rules have to be fulfilled by the Member States to ensure the effective and efficient use of the Funds.<sup>6</sup>

The OPs consist of priority axes, each axis corresponding to a TO and comprising one or more of the IPs (Figure 1 refers).<sup>7</sup> In particular, the OP shall set out a justification of the choice of TOs, corresponding IPs and financial allocations.

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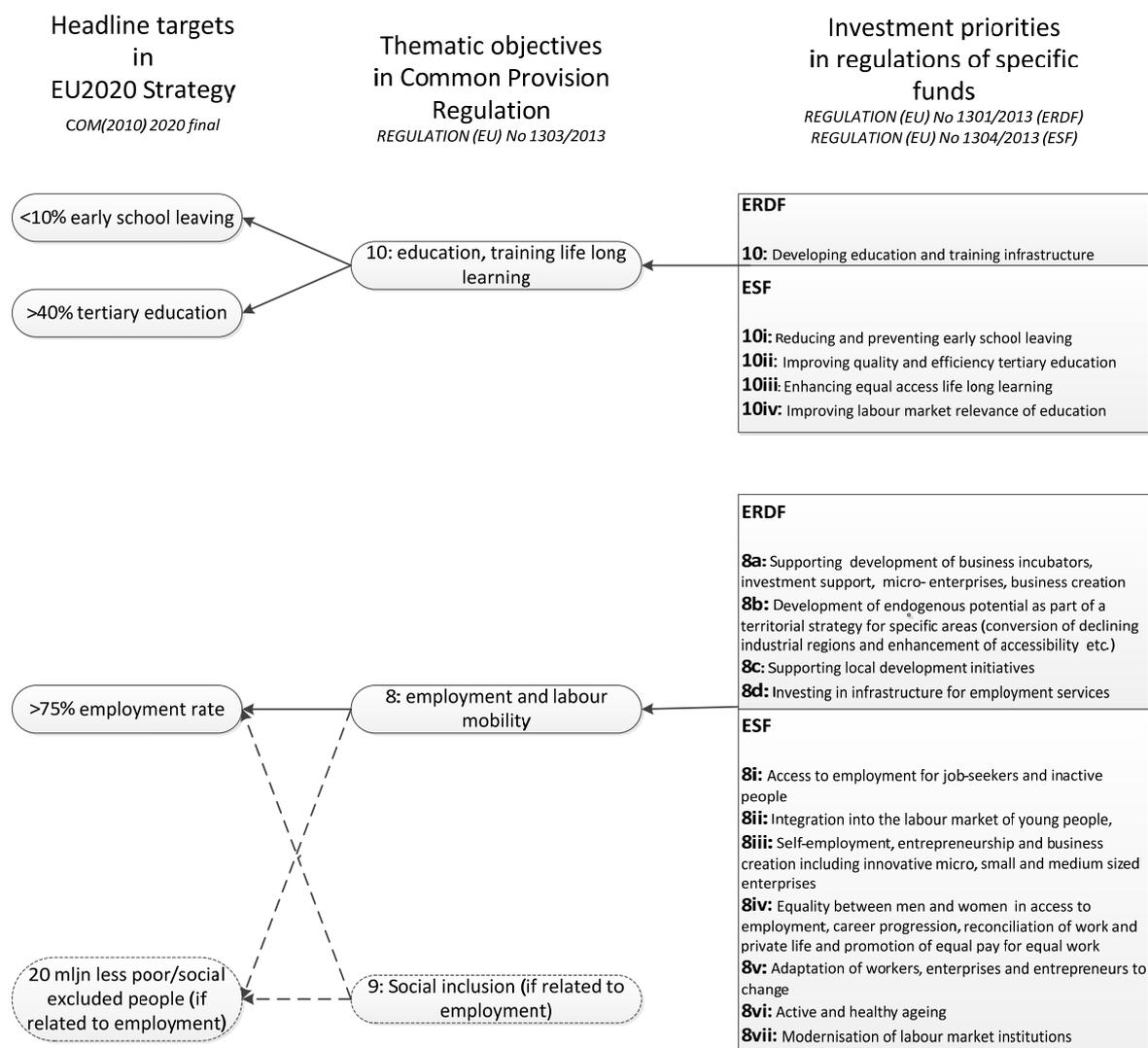
<sup>4</sup> Article 14, 15 CPR.

<sup>5</sup> Recital 88 CPR.

<sup>6</sup> Article 19, Annex XI CPR.

<sup>7</sup> Article 96, para. 1 CPR.

Figure 1: Relationship between Headline Targets, thematic objectives and investment priorities<sup>8</sup>



This should be done by having regard to the Partnership Agreement and based on regional and, where appropriate, national needs.<sup>9</sup> In addition to this, in order to assess progress in programme implementation, Member States had to establish output indicators for the operations<sup>10</sup> supported and result indicators for each IP.

<sup>8</sup> Some investment priorities of thematic objective 9 are indirectly linked to employment or education; for instance Article 3 (b) (i) of ESF-Regulation (EU) No 1304/2014: *Active inclusion, with a view to promoting equal opportunities and active participation, and improving employability.*

<sup>9</sup> Article 96, para. 2 CPR.

<sup>10</sup> The CPR mainly uses the terminology "operations". Article 2 CPR defines 'operation' as *a project, contract, action or group of projects selected by the managing authorities of the programmes concerned, or under their responsibility, that contributes to the objectives of a priority or priorities (...).*

This chapter deals with the questions, as to whether

- the OPs are properly prepared;
- the indicators are adequate;
- the monitoring system is adequate;
- the measures/interventions of the OPs are likely to contribute to the intended results of the OPs; and
- the results may contribute to attaining the Europe 2020 Strategy targets for employment and/or education.

## 1. Thematic objectives and investment priorities

In working towards the delivery of the results of the Europe 2020 Headline Targets, the Commission established a thematic approach to structural funding. To this end, this parallel audit entailed a review of the SAIs' audited OPs with a view to establishing whether the OPs could contribute to the Europe 2020 Strategy Headline Targets. In this respect, the audit sought to establish whether regional and national needs, country-specific and Council recommendations, as well as risks and challenges, were adequately considered and explained in the audited OPs.

### Findings

The participating SAIs reported that at a general level of analysis, adequate explanation of the above criteria was provided in the OPs. However, some considerations were highlighted in the country reports. Although these were not widespread among SAIs, the most salient issues identified are set out below:

#### **Good practices: Finland and Latvia**

*Member States used their experience from the previous programming period to decide on adapting the number of OPs to design.*

*The Finnish SAI noted that its Member State had drafted only one OP in contrast to the four OPs that encompassed the previous programming period. The decision to have one OP provided the Member State with increased flexibility while also enabling it to focus on areas in need of attention. As a result, the OP's targets are of a more general level, which was subsequently adapted to regional needs, with the cooperation of the MA and intermediate bodies. Although this system may have created additional work for the intermediate bodies due to the shared responsibility, the SAI noted that the expertise of the intermediate bodies was a positive contribution to the overall quality of the projects.*

*This is also the case for Latvia where only one OP was drafted in this planning period, in contrast to three OPs that encompassed the previous programming period. Furthermore, Latvia has only one Co-operation Institution for this programming period. The Institution ensures oversight and control of project implementation, supervision of the achievement of project objectives and output indicators.*

- a. The MA could have referred to more elaborate statistical evidence (Finland).
- b. Deficiencies were established in certain cases. For example, three descriptions of 18 specific objectives failed to provide a detailed assessment of problems and needs (Latvia).
- c. Specific objectives were not always supported by a thorough analysis and evidence corresponding to all issues concerned (the Netherlands).
- d. A number of priority axes were not directly related to country-specific and Council recommendations (Denmark). However, it must be noted that such Recommendations focus on a few select areas of concern within each Member State. Hence, the allocation of funding in areas other than those specifically identified in the Recommendations is acceptable.
- e. Some of the country-specific and Council recommendations have only been taken into account indirectly by the MA (Germany).

The parallel audit also studied the manner in which the national priorities were identified. In this respect, a number of actions were taken by the participating SAIs' Member States, of which some provided cases of good practice.

**Good practices:**

**Denmark and Germany**

*The Danish and German SAIs noted that a socio-economic analysis was carried out in order to identify challenges for growth. The German SAI stated that the MA had studied the data trends, compared them to the development registered in other Member States, and analysed the resulting disparities. This analysis served as the basis for the development of specific goals, expected results, and a system of indicators. The latter step was carried out by means of workshops with the divisions being responsible for the programmes under each priority axis, a fact that was noted as an added value to the OP.*

**In general**

*In general, reference was also made to national reports, national strategic documents, labour force surveys, implementation plans of major cities, and the experience drawn from the previous programming period.*

**Good practices:**

**Malta**

*In Malta, an Inter-Ministerial Coordination Committee (IMCC) was set up for the 2014-2020 programming period. The IMCC was to ensure the maximisation of resources while serving to reduce the risk of overlap or duplication of efforts by providing direction on the demarcation between different funds and programmes. The IMCC was supported by Sectoral Sub-Committees that addressed different thematic objectives. Each Sectoral Sub-Committee was set up with a view to providing input and support to the IMCC in its role of providing strategic input and guidance to the 2014-2020 programming process.*

**Slovak Republic**

*A Central Coordination Body was responsible for the preparation of the Partnership Agreement and for the coordination of authorities in respect of the governance of ESIF.*

## Conclusions

Overall, we see that the OPs were drawn up following extensive reviews of national priorities, risks and challenges. As a result, most SAIs reported that the OPs were clearly aligned with national needs, Council recommendations, and identified risks and challenges.

A uniform understanding of the EU-wide and national indicators for the Europe 2020 Strategy Headline Targets is a prerequisite for the effective support of these targets by means of co-financing through Structural Funds. If this condition is not met, there may be instances where funding is not allocated to areas of need.

In particular cases, the MA could have taken closer regard to the pertinent country-specific and Council recommendations when selecting TOs and IPs to be invested in.

In addressing the design of the OPs, MAs put forward the following comments, that we consider important:

- a. The requirements for establishing the OPs have increased significantly in the current programming period. This is to be attributed mainly to the following:
  - i. a closer integration of the structural and cohesion policies into the strategies and the economic policy coordination of the EU;
  - ii. the need for thematic concentration;
  - iii. the introduction of a performance framework connected with sanctions that entails the need to allocate all support funds (bar the performance reserve) already at the beginning of the programming period.
- b. Adequately addressing updates brought about by delegated acts with regard to funding proved to be a challenge, despite a shared management approach. This is particularly so in respect of the rules governing financial instruments, where the complexity of these rules were noted to be counterproductive.

## Recommendations

We address the following recommendations to the **MA**s:

- a. Ensure that priorities are backed by strong statistical evidence; and
- b. Ensure that the specific objectives in the OPs are supported by a detailed assessment of problems and needs.

We recommend that the **Commission** take efforts for:

- c. a simplified system of targets, where the various levels of targets are kept to a minimum;
- d. improvements in the templates of the Partnership Agreement and the OPs to address instances of repetition;
- e. simplified templates for programmes of a smaller financial volume; and
- f. a simpler approach to combine different IPs from different thematic objectives.

## 2. Indicators, milestones and target values

Together with the fund-specific regulations the CPR defines a system of indicators and corresponding targets (milestones for 2018 and target values for 2023) to be incorporated in the OPs. This system is aimed at facilitating the assessment of progress in programme implementation as the basis for monitoring, evaluation and review of performance.

The indicators shall include

- financial indicators relating to expenditure allocated;
- output indicators relating to the operations supported; and
- result indicators relating to the priority concerned.<sup>11</sup>

For each Fund, the fund-specific regulations set out a list of common indicators.<sup>12</sup> Regarding the ESF, the common indicators represent the minimum set of

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<sup>11</sup> Art. 27 (4) CPR.

<sup>12</sup> Annex I of the fund-specific regulations.

indicators for each OP.<sup>13</sup> Regarding the ERDF, the common indicators shall be used whenever appropriate.<sup>14</sup> Member States may complement the common indicators where necessary with programme-specific indicators.<sup>15</sup>

## Findings

### As to financial indicators

Five SAIs found that the allocation of the funds to the priority axes/investment priorities was not adequately explained in the respective OP (Czech Republic: ESF/ERDF; Denmark: ESF; Germany: ESF; Latvia: ESF/ERDF; the Netherlands: ERDF). One SAI indicated that the basis and criteria for the allocation were not clear (Denmark).

### As to output and result indicators

The participating SAIs stated that – in general – the output and result indicators were adequately chosen and described. It was seen as helpful to refer to the experiences gained in the previous programming period in defining well-reasoned and achievable indicators and targets. Nevertheless, most of the SAIs also observed a number of weaknesses:

- a. Three SAIs reported that some of the **common indicators** were not relevant to the national context (Denmark, Finland, Germany). One SAI stated that some target groups were hardly represented due to the common indicators (Finland).

**Good practices:**

**Germany**  
*Developing indicators in workshops with the divisions responsible for the actions under each priority axis might support suitability and manageability of indicators.*

**The Netherlands**  
*Making agreements about more result-based indicators and intermediate targets in implementation agreements with project beneficiaries can supplement the indicators in the OP and promote suitability and result-orientation of indicators.*

Example (Finland):

The output indicator “Number of projects realized or partly realized by social partners or civic organizations” arises from the list of common indicators. However, according to the OP, the target group are long-term unemployed and those outside the work force. Thus, the chosen output indicator may not produce relevant information.

<sup>13</sup> Guidance document of the European Commission on Monitoring and Evaluation of European Cohesion Policy (Programming period 2014-2020) – ESF, June 2015, No. 3.1.

<sup>14</sup> Guidance document of the European Commission on Monitoring and Evaluation (Programming period 2014-2020) – CF and ERDF, March 2014, No. 3.1.3.

<sup>15</sup> Recital (14) ESF Regulation, (18) ERDF Regulation and (13) CF Regulation.

In addition to the common indicators, Member States have defined programme-specific indicators. Some of the audited OPs contained several tens of programme-specific indicators.

Examples:

The German ESF Federal OP 2014-2020 contains – in addition to the prescribed common indicators – 26 programme-specific result and 8 programme-specific output indicators. The Portuguese ESF OP POISE comprises 35 specific result and 27 specific output indicators. The OP audited by the Czech SAI includes – only with regard to the ESF funded part of the OP – 17 specific result and 19 specific output indicators.

- b. Due to national data protection regulations, two SAIs saw difficulties in several **very detailed data collection obligations** for reporting on the indicators (Finland, Germany). In order to meet these obligations, project participants have to supply a number of personal information.
- c. Especially with regard to output indicators, several SAIs stated that some indicators **encompass two or more different actions** or groups of people with different characteristics (Denmark, Finland, Germany, Portugal).

Example (Portugal):

The result indicator “Participants in the actions of Local Social Development Contracts that are covered by active employment or vocational training measures” register a diversity of actions and beneficiaries.

- d. Especially with regard to result indicators, some SAIs noted that indicators are **based on expected results and self-evaluation** (Denmark, Italy, Portugal).

Example (Portugal):

Under the investment priority “Combating all forms of discrimination and promoting equal opportunities” the OP contains the result indicator “Victims who positively evaluate the support received”.

- e. Some SAIs addressed the requirement that **baseline values**<sup>16</sup> of result indicators should not be zero (the Netherlands/ESF, Denmark). According to the fund-specific regulations the baseline values shall use the latest available data.<sup>17</sup> The SAIs stated that the MAs would prefer setting the baselines at zero, as this represents the status quo of the target groups before the programme is implemented.

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<sup>16</sup> A baseline is the value of a result indicator at the beginning of the programming period (for example, the number of start-ups in that year for a priority that intends to drive up the number of start-ups in a region).

<sup>17</sup> Art. 5 (1) ESF Regulation, art. 6 (3) ERDF Regulation, art. 5 (3) CF Regulation.

## **Conclusions**

Though the system of indicators generally forms a good basis for monitoring, audit results suggest that there is the need for improved transparency, suitability and manageability of indicators.

The insufficient explanation regarding the allocation of funds leads to a lack of transparency. Therefore, we see the risk that funds are not allocated according to actual needs, but rather on the basis of available funding or political interests.

The Working Group recognizes that common indicators allow for EU-wide comparability. Nevertheless, there is the risk that selected indicators are not always the most appropriate indicators. Moreover, if these indicators are not relevant to the national context, the definition of programme-specific indicators is necessary. However, these increase the total number of indicators and might lead to increased reporting obligations.

The detailed data collection obligations affect the project participants who have to supply their personal information. Project participants might see this as a violation of their privacy rights. This might also affect their perception of the EU.

If indicators encompass two or more different actions or groups of people with different characteristics, the implementation progress of individual actions or target groups will no longer be visible.

The Working Group sees a risk for bias and overestimation of results, if indicators are based exclusively on subjective appraisal.

Sometimes, the data for the definition of the baseline value was not available. In those cases, the requirement of having baseline values that are not zero might lead to considerable efforts in order to generate the necessary information.

The Working Group is aware of the fact, that there are strict requirements for the format of OPs. It is not our intention to suggest that OPs should be extended in volume; rather, the information in the OP should be clearer and more concise.

Given the weaknesses stated we have formulated a number of recommendations addressed to the MA, to the Member States and to the Commission.

## Recommendations

We address the following recommendations to the **MA**s:

- a. A detailed and demand-driven justification of the allocation of resources to the priority axes and investment priorities may enhance the transparency of the OPs. The MA should at least make clear the criteria, on the basis of which the proportional allocation of funds was made. In addition, information should be added on how the MA arrived at the established milestones.
- b. The choice of output and result indicators should be explicitly justified to ensure the provision of precise and true information on the progress made in achieving the set results. The indicators should be clearly documented in the respective OP.
- c. Result indicators based solely on subjective appraisal such as self-evaluations should be avoided.

We recommend that the **Commission**

- d. evaluate the suitability of the set of common indicators.
- e. consider approving the setting of baseline values of result indicators at zero whenever appropriate.

We address the following recommendations to the **Commission** as well as to the **Member States**:

- f. The Commission and the Member States should analyze if all the common and programme-specific indicators respectively are necessary and if their number can be reduced. They should concentrate on a reasonable number of common and programme-specific indicators.
- g. For reasons of data protection law and rights for privacy, the requirement to store data on individual participants should be kept to a minimum. The Commission and the Member States should examine if all the information gathered is necessary and if the data collection obligations can be reduced.
- h. The MAs and the Commission should take the stated weaknesses of indicators into account when interpreting the measured values in the current programming period. Such weaknesses need to be avoided during any subsequent programming period.

### 3. Performance framework

The performance framework is one of the tools to achieve the result-orientation of the Structural Funds.<sup>18</sup> All OPs are required to have a performance framework.<sup>19</sup> Performance frameworks consist of milestones and targets for each priority axis within an OP.<sup>20</sup> These are a sub-set of milestones and targets included in the OP. Milestones must be reached by end of year 2018 and targets by end of year 2023 respectively. Failure to achieve these may result in financial corrections.<sup>21</sup>

**Figure 2: Standard format for the performance framework**

Priority	Indicator and measurement unit, where appropriate		Milestone for 2018	Target for 2023

In the performance framework, progress towards achieving milestones and targets is to be monitored by means of financial indicators (e.g. total eligible expenditure) and output indicators (e.g. number of participants in a programme). Only one financial indicator is selected per priority<sup>22</sup>, and the number of output indicators should be kept as low as possible.<sup>23</sup>

Result indicators are to be used only where appropriate. In its Guidance Fiche from 14 May 2014, the Commission states that immediate result indicators may be used in the performance framework for the ESF and the YEI as they are very closely linked to the supported person or entity and the data is thus available in time. Result indicators are not recommended for performance frameworks under

<sup>18</sup> Commission, *Guidance Fiche Performance Framework Review and Reserve in 2014-2020*, (Final Version of 14 May 2014), pg. 4.

<sup>19</sup> Regulation (EU) Nr. 1303/2013 Preamble.

<sup>20</sup> Regulation (EU) Nr. 1303/2013 Annex II.

<sup>21</sup> The assessment of milestones in 2019 will form the basis for the allocation of the performance reserve and may possibly lead to the suspension of interim payments. The assessment of targets will be assessed in 2025 and may give rise to financial corrections.

<sup>22</sup> With the exception of complex priorities.

<sup>23</sup> Commission, *Guidance Fiche Performance Framework Review and Reserve in 2014-2020*, (Final Version of 14 May 2014), pg. 6.

all other ESIF.<sup>24</sup> In general, result indicators cannot be used as part of the performance reviews in 2019 and 2024/2025 for the purposes of Art. 22 (6) and (7) CPR (suspension of interim payments, application of financial corrections).

## **Findings**

All SAIs reported that performance frameworks have been established for the OPs audited.

Most SAIs (all except the SAI of Finland) stated that indicators chosen were considered relevant for the results. However, one SAI (Portugal) pointed out that while the achievement of outputs (e.g. participation in a programme) presented an important step towards reaching results, results also depended on other factors outside the sphere of influence of the OP (e.g. co-behaviour of participants). Another SAI (the Netherlands/ERDF) distinguished between types of output indicators and pointed out that some output indicators were more closely linked to the results than others.

Three SAIs (Germany, Slovak Republic, Poland) explicitly stated that the MA sufficiently explained the selection of indicators and levels to be achieved by 2018 in internal documents and/or that they were able to receive information on how they were calculated. One SAI (Finland), however, noted that further explanation about the link between the outputs in the performance framework and the results was needed. Especially when there were several priorities selected for one priority axis, it would be useful if the MA described the choices made when establishing the performance framework.

Eight SAIs (Czech Republic, Denmark, Finland, Germany, Latvia, Malta, the Netherlands, Portugal) reported that no result indicators were included in the performance frameworks audited.

Four SAIs (Czech Republic, Denmark, Finland, the Netherlands) reported that the performance framework could contribute more to the result orientation of the Structural Funds, as it was based on financial and output indicators. The principal reason listed for omission of result indicators in the performance framework was that the Commission advised against this and that results often only materialised after the programming period.

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<sup>24</sup> Commission, *Guidance Fiche Performance Framework Review and Reserve in 2014-2020*, (Final Version of 14 May 2014), pg. 7.

## Conclusions

The introduction of the performance framework in the funding period 2014-2020 can be a first step leading to a stronger result-orientation. The Commission's emphasis on financial and output indicators in the performance framework may, however, create incentives for early absorption and spending of Funds, rather than fostering a genuine result-orientation. Achievement of outputs will only lead to results if they are sufficiently linked to each other.

In line with the Commission's reasoning, the inclusion of result indicators in the performance framework would make sense if initial results can be expected to materialise before the performance review in 2019 and results are closely linked to the operations performed. However, the way the EU Regulation 2013/1303 is worded means that even where result indicators are sensible, they are not linked to financial repercussions and this weakens their incentive effects.

## Recommendations

We recommend that **MAs**

- a. select output indicators for the performance framework that have as close and immediate a link to the intended results as possible;
- b. explain their choice of indicators in supporting documents to foster transparency of the performance framework; and
- c. include result indicators in the performance framework in line with applicable European as well as national rules and regulations and the Commission's Guidance Fiche.

Furthermore, we recommend that responsible departments in **Member States** work closely with the **Commission** when designing the rules and regulations pertaining to financial incentives in the next funding period. In particular, it should be considered how the result-orientation of the performance framework can be enhanced.

#### 4. Monitoring and evaluation

According to the CPR, Member States have to fulfil several ex-ante conditionalities provided that these are applicable to the specific objectives pursued in the respective OP. The fulfilment of applicable ex-ante conditionalities is a prerequisite for the effective and efficient use of the EU funds.<sup>25</sup> One of these ex-ante conditionalities is the existence of a statistical system for the timely collection and aggregation of statistical data necessary to assess the effectiveness and impact of the programmes.<sup>26</sup>

Member States should monitor their OPs in order to review implementation and progress towards achieving the programmes' objectives. To this end, they should set up monitoring committees.<sup>27</sup> The common and programme-specific indicators and their targets form the basis for the monitoring.<sup>28</sup> Each Member State shall submit to the Commission an annual report on the implementation of the OPs (implementation report).<sup>29</sup>

Furthermore, evaluations shall be carried out to improve the quality of the design and implementation of OPs, as well as to assess their effectiveness, efficiency and impact.<sup>30</sup> In this respect, the CPR stipulates an evaluation system consisting of the ex-ante evaluation, the evaluation during the programming period and the ex-post evaluation. Member States shall ensure that the data necessary for the evaluations are collected.<sup>31</sup>

Ex-ante evaluations are to improve the design of the OPs. Among other functions, they serve to evaluate the contribution of the OPs to the Europe 2020 Strategy. During the programming period, the MA shall ensure that evaluations are carried out on the basis of an evaluation plan. Ex-post evaluations shall be conducted by the Commission or by the Member States together with the Commission and shall be completed by end 2024.

As regards the arrangements for monitoring, reporting and evaluation, the principle of proportionality shall be respected, which means that the level of

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<sup>25</sup> Art. 2 (33) and art. 19 CPR.

<sup>26</sup> Annex XI Part II number 7 of CPR.

<sup>27</sup> Recital (48), art. 47 (1) CPR.

<sup>28</sup> Art. 49 (1) CPR.

<sup>29</sup> Art. 50 (1) CPR.

<sup>30</sup> Art. 54 (1) CPR.

<sup>31</sup> Art. 54ff. CPR.

funds allocated and the overall aim of reducing the administrative burden on the bodies involved shall be taken into account.<sup>32</sup>

**Findings**

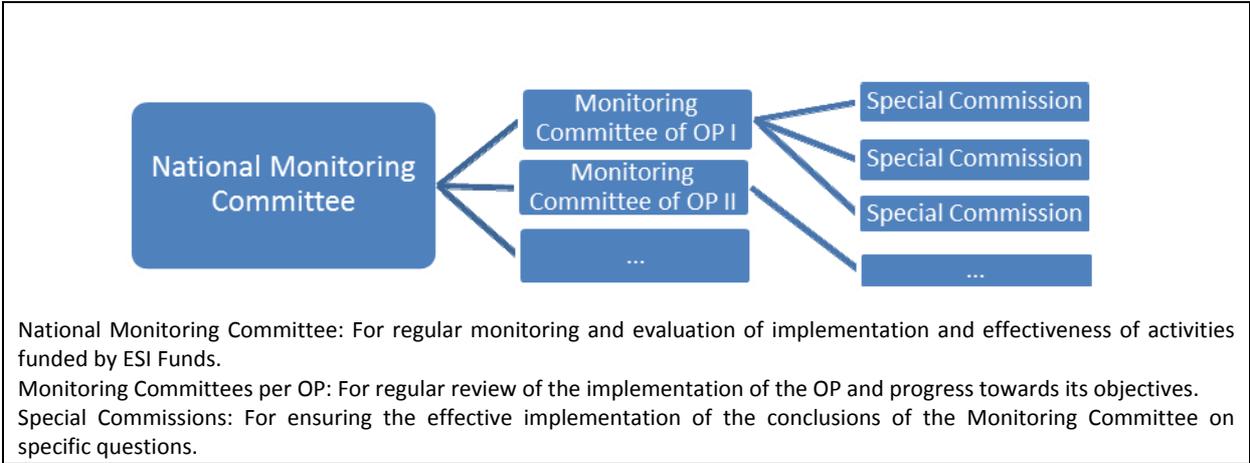
All participating SAIs reported that a statistical system for collecting and aggregating the necessary data was in place. However, five SAIs stated that the statistical system had not been functioning at the initial stages of the programming period (Denmark, Finland, Germany, Italy, the Netherlands). Therefore, Member States had to use temporary alternative tools, e.g. excel sheets.

**Good practices:**  
**Latvia**

*Latvia established a comprehensive Information System for the Management of Cohesion Policy Funds. This system accumulates and stores information on EU funds planning documents, supplements to the OP, output and result indicators, indicators of horizontal principles, definitions of the indicators, project applications and projects, etc. and thus ensures the availability of all relevant data at one place.*

All participating SAIs generally considered the monitoring systems implemented as adequate. The established monitoring committees are regularly involved. Whereas most Member States established one monitoring committee for each OP or a single monitoring committee for several OPs, one SAI (Slovak Republic) reported that the monitoring system of the respective Member State consisted of a National Monitoring Committee, Monitoring Committees at the level of individual OPs and special commissions (see Figure 3).

Figure 3: Example of a monitoring system



<sup>32</sup> Art. 4 (5) CPR.

As to all OPs reviewed, the findings and conclusions of ex-ante evaluations were considered to a large extent, even if in several cases (Denmark, Finland, Germany, Italy, the Netherlands, Malta, Portugal) few recommendations were not met for different – partially justifiable – reasons (e.g. responsibility of regions). Ex-ante evaluations were often conducted as an ongoing iterative process during the preparation phase of an OP, with their findings contributing directly to the design of the OP. In some cases (Portugal), the evaluators' recommendations are still considered during the implementation of the OPs.

**Good practices:**

**Czech Republic and Italy**

*The Czech Republic has established a central entity that performs the role of a national coordinator for evaluations. Activities include the methodological role for a functional implementation environment, coordination for achieving results, acting as the Commission's partner for efficient communication, and administering the monitoring system to ensure high-quality data. The central entity focuses on horizontal evaluations regarding themes that go beyond one OP. Outcomes of the conducted evaluations are published in a public library of evaluations.*

*In Italy, a MA has entrusted an in-house body with evaluation activities in the whole programming period.*

The OPs of four Member States (Germany, Latvia, Malta, Portugal) neither provided a summary of the findings and conclusions of the ex-ante studies nor a clear explanation on how those were incorporated in the OP. Concerning this matter, several MAs either pointed out that there was no corresponding legal requirement or referred to other documents other than the OP (e.g. Partnership Agreements). Summaries and explanations formed part of the OPs of three Member States (Finland, the Netherlands, Poland), although partially at a general level or in a brief form. One MA (Slovak Republic) chose to annex the ex-ante evaluation to the OP.

The SAIs stated that the Member States drew up evaluation strategies for the OPs pursuant to Art. 56 (1) CPR. These evaluations are also used to measure medium and long-term impacts of ESF and ERDF interventions (Czech Republic, Denmark, Finland, Germany, Italy, Malta, the Netherlands, Poland, Portugal). Some Member States cooperate with their

**Good practices:**

**Denmark and the Netherlands**

*In Denmark, there is a common evaluator for the entire programme. This ensures consistency of evaluations across the OP and contributes to the ability to draw lessons from the whole programme. Denmark and the Netherlands plan the performance of theory-based effect evaluations. This type of evaluation provides answers to the question as to why and how the OP works. This leads to the fact that both the results, as well as the mechanisms which lead to the results, are understood. Also good practices will be identified. Gathering more evidence on the causal mechanisms in the intervention logic can lead to improvements in the effectiveness of the OPs.*

national statistical offices in order to monitor progress and to measure impact (Denmark, Malta, the Netherlands).

Example (Malta):

The National Statistical Office (NSO) carries out cohort studies in the case of ESF interventions. In this respect, a sample of participants is traced a year after their participation in an intervention. The NSO examines whether participants had registered a change in their labor status as a result of the EU-funded intervention. Furthermore, the NSO analyses the reasons why an intervention did not contribute to an improvement in the labor status.

Member States base their monitoring and evaluation activities especially on the statistical systems mentioned above, but also use further means and sources of data and information.

Example (Malta):

The following is a list of means and sources of information for monitoring and evaluation:

- Monitoring and Evaluation Unit within the MA for overall matters;
- Structural Funds Database 2014-2020 with data on indicators;
- Project progress reports by the beneficiaries;
- Project steering committees within the relative ministry;
- High level monitoring meetings with the project leader; and
- Reporting at the Cabinet of Ministers.

In general, monitoring and evaluation in the Member States is not focused on cost per output. Several SAIs stated that the Member State used data from the previous programming period for calculating the expected budget per participant (Denmark, Italy, Malta, Poland, Portugal). Furthermore, the expenditure per participant is dependent on the type of intervention and can vary significantly (Germany, Italy, the Netherlands, Portugal).

## **Conclusions**

The Member States had statistical systems in place for collecting and aggregating statistical data and thus fulfilled the respective ex-ante conditionality. Reasons for the delayed functioning of statistical systems in some Member States might include the extensive requirements for data collection and the late adoption of EU implementing regulations and guidance documents.

The established monitoring and evaluation systems vary in the range of instruments, but in general are assessed as being adequate.

In our judgement, the findings and conclusions of the ex-ante evaluations were incorporated sufficiently in the OPs and led to significant improvements of their design in the vast majority of cases. Against this background, the audit has

proven the importance of this instrument. We wish to highlight that if the MAs do not take up advice generated by ex-ante evaluations, this tool will have limited effect only.

An iterative approach to an evaluation – which the MAs often took – is of merit since feedback is issued promptly and can be included immediately. However, the evaluators' direct involvement could impact the impartiality of the evaluation and lead to leaving out suggestions that are "not seen fit". Accordingly, it can be difficult to ascertain the overall contribution of the ex-ante evaluation to the final version of the OP.

### **Recommendations**

We address the following recommendations to the **Commission** and the **Member States**:

- a. With regard to the next programming period, the Commission and Member States should ensure that relevant EU implementing regulations are finalised in due time before the beginning of the programming period in order to ensure a smooth start of the programmes in the Member States.
- b. The Member States established comprehensive – and partly costly – statistical and monitoring systems in order to comply with the EU requirements of the current programming period. In view of the next period, the Commission and the Member States should reassess the necessity of the requirements in line with the principle of proportionality pursuant to Art. 4 (5) CPR. Furthermore, Member States should be able to reuse as many elements of their existing national systems as possible and should not be obliged to reinvent their monitoring systems for the new period.

The following recommendations are addressed to the **MAs** and the **Member States**:

- c. The MAs should widen their consideration of findings and conclusions of ex-ante evaluations when designing OPs in a subsequent programming period. They should further strengthen the instrument of ex-ante evaluation by means of adding a separate paragraph in the OP. Furthermore, they should clearly document in internal files progress made between different draft

versions in considering the recommendations, especially in case of iterative approaches with evaluations.

- d. Where appropriate, the data of national statistics should be used for monitoring and evaluation in order to ensure reliability of data and to keep the administrative burden for the parties involved as low as possible.
- e. When evaluating their OPs, Member States should also analyze the reasons, why the expected results have been achieved or not. Moreover, they should assess to what extent the ESF and ERDF interventions contributed to the Europe 2020 targets.
- f. Unsurprisingly, the costs per participant vary according to the type of intervention. Nevertheless, it could be helpful to observe these costs in order to have a closer look if they are – compared to the average costs – excessive or seem unrealistic.

## **5. Potential effectiveness**

This chapter deals with the question as to whether the proposed interventions in the OPs are potentially effective and thus can contribute to achieving the Europe 2020 targets for employment and education.

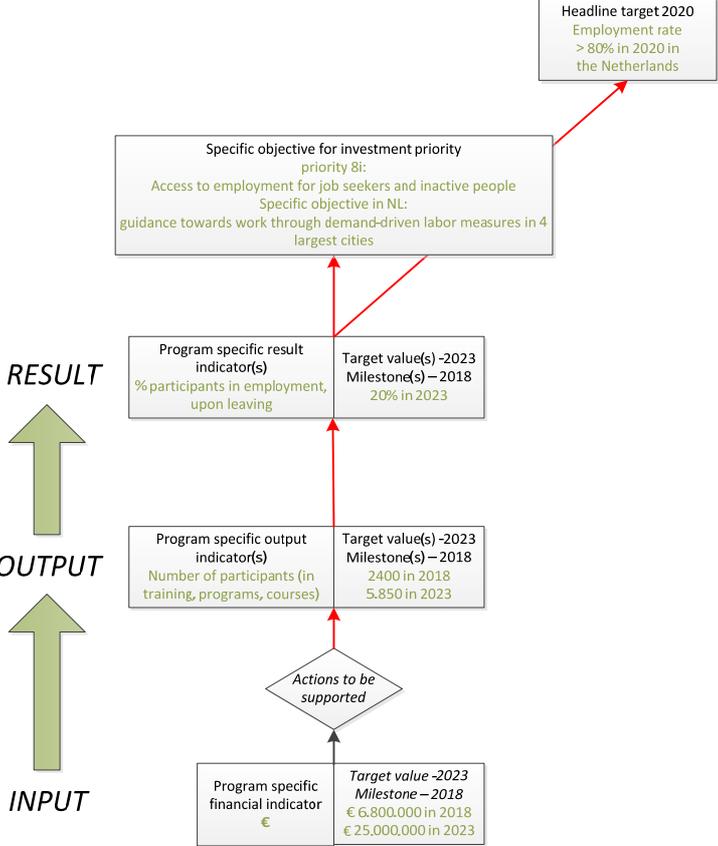
In the OPs, the investment priorities and objectives of the Partnership Agreements are broken down into individual actions. The CPR stipulates detailed requirements for the content of the OPs to facilitate the presentation of a consistent intervention logic to address the needs identified, to set out the framework for performance assessment and to support effective and efficient implementation of the Funds.<sup>33</sup>

The intervention logic is an explanation of how and why an intervention will contribute to an intended result and thus will be potentially effective. More specifically: whether the assumptions underlying the relations between action, output, result and target (see red arrows of Figure 4) are described as plausible.

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<sup>33</sup> Recital 88 Common Provision Regulation (EU) No 1303/2013 (CPR).

Figure 4: System of indicators and targets for Structural Funds – intervention logic, including the contribution to Europe 2020 Strategy Headline Targets (example: access to employment for job seekers and inactive people in NL)



**Findings**

All SAIs reported that OPs explained sufficiently or rendered plausible how proposed actions can lead to outputs, and expected outputs can contribute to result indicators, target values and specific objectives, although sometimes brief or with room for improvement (Finland, Germany, Latvia, Malta, the Netherlands).

Eight SAIs (Czech Republic, Denmark, Finland, Germany, Malta, the Netherlands, Poland, Portugal) provided guiding principles for the selection of projects directly in their OPs, at least on a general level. The MAs of five Member States (Czech Republic, Finland, Germany, Malta, the Netherlands) further defined these principles in other documents or instructions to the applicant (e.g. calls for proposals). The MAs of Italy and Latvia provided guiding principles exclusively in other documents than the OP.

The SAIs stated that all audited guiding principles were based on potential effectiveness, at least on a general level. The criteria in six Member States (Czech Republic, Finland, Germany, Latvia, Malta, the Netherlands/ESF) were explicitly based on efficiency.

The SAIs noted that explanations on the contribution of results to achieving the Europe 2020 targets for employment and education were incomplete in either case. Most SAIs found that the relationship between the result

**Good practices:**  
**Poland**  
*In the area of increasing employment, the Polish MA used guiding principles for the selection of projects relating to the efficiency of employment in the projects. This helped it to achieve better results in increasing employment of the participants of training projects directed to the unemployed and economically inactive (transition from the professional activation only to the effect of employment).*

indicators and the Europe 2020 Headline Targets was explained or rendered plausible in the OPs (Czech Republic, Denmark, Germany, Malta, the Netherlands/ESF, Poland, Portugal, Slovak Republic), often at a general level; the OPs of two Member States (Finland, the Netherlands/ERDF) did not contain any explanation. None of the OPs made a note of the specific nominal progress towards the targets likely to be generated by the results. One SAI (Malta) remarked that it was impossible to isolate the extent to which results might contribute to achieving the Europe 2020 Headline Targets given other factors contributing to their achievement.

**Conclusions**

In the vast majority of cases, the proposed interventions in the OPs are potentially effective, notwithstanding minor weaknesses. On a general note, guiding principles for the selection of projects are sufficiently result-orientated and contribute to their potential effectiveness. The criterion of efficiency has not always been adequately considered in the selection process.

We see room for improvement regarding the explanation as to what extent results can contribute to obtaining the Europe 2020 Headline Targets. Nevertheless, isolating the specific nominal progress generated by the results towards the implementation of Headline Targets remains a challenge as other factors also contribute to their achievement.

In our judgement, the instrument of intervention logic can significantly support the result-orientation of funded actions. We wish to highlight that without a clear

intervention logic underpinned by detailed reasoning, the MA would lack the basis for assessing that a measure is potentially effective. Without a solid intervention logic it cannot be ruled out that the MA may choose an action that cannot be reasonably expected to achieve the intended result. It is difficult to remedy weaknesses of this kind retroactively.

### **Recommendations**

We recommend that **MA**s

- a. strengthen the instrument of intervention logic of Structural Funding by further clarifying the relations between actions and results and especially the contribution to specific objectives and Headline Targets; and
- b. pay more attention to the criterion of efficiency as part of guiding principles for the selection of projects during the current implementation of the OPs.

We recommend that the **Commission** place emphasis on this matter when approving Operational Programmes.

## 6. Current events

This chapter deals with the MAs' measures for adapting the OPs to reflect current events.

### Findings

Four SAIs (Germany, Latvia, Portugal, Slovak Republic) reported that the audited OPs were subject to adaptations reflecting current events. In five Member States (Denmark, Finland, Malta, the Netherlands, Poland), this was not the case by the end of the audit.

The participating SAIs found that in the first place, adaptations concerned the reallocation of funds and modifications of specific objectives, target groups, support conditions and the determination of indicators. Reasons cited for adaptations include needs detected based on past experience with the implementation of the OPs (e.g. shortcomings of the setting of specific objectives) and changes in political priorities (e.g. as a consequence of a change of government, or new governmental strategies meeting the demands of unexpected social or economic developments, especially an increase in immigration).

Two SAIs (Denmark, Germany) reflected the MAs' view that making changes to the OPs is an elaborate and complex process only advisable in significant cases. It was pointed out that difficulties arose as well

from the effort to convince the Commission that the proposed changes represent an improvement of programmes.

### Conclusions

We infer from our findings that there is an obvious need for responding to current events during the programming period. In a substantial number of cases this leads to adaptations of the OPs. However, the conditions that have to be met when making changes to the OPs are complex. Evidence suggests that the

#### **Good practices:**

##### **Finland and the Netherlands**

*MAs that did not see need to adapt the OPs so far reduce this mainly to drafting the OPs on a more general level leaving flexibility to address current events in the implementation.*

##### **Germany**

*As an efficient approach to adapting the OP, the German MA chose to submit a comprehensive application for modification that aggregates all adaptations after approval of the Commission on isolated cases (in a less formal procedure) in advance.*

adaptation processes are too cumbersome to live up to the MAs' needs in practice.

### **Recommendations**

We recommend that the **Commission** take into account simplifications of the legal provisions governing programming for the period from 2020 onwards in order to allow a more flexible adaptation of OPs reflecting current events.

We recommend that **MAs**

- a. use options to ensure more flexibility is built into forthcoming OPs in order to be able to address emerging events; and
- b. submit comprehensive applications for all required modifications after settling individual cases with the Commission in advance.

#### **IV. Audit findings on the implementation of the Operational Programmes in projects**

Eight SAIs analysed a selection of approved projects.<sup>34</sup> They adopted different approaches, ranging from a review of documentation provided by the MA to site visits at the beneficiaries' premises. Though not representative for all approved projects in the eleven Member States (see section II.3 on methodology) the analysis of the selected projects provides useful information about the implementation of the OPs in projects.

The auditors involved assessed 70 projects in total. Most of the selected projects (61) were ESF funded, due to the fact that employment and education were the subject of this audit. The SAIs of Denmark and the Netherlands also audited ERDF projects (9 in total). In Latvia two projects only were ready for assessment. For some countries not all sub-questions were assessed.

The next table shows the number of projects per Member State, a short description of the aims, and the (range of the) total costs involved (EU-funded and national co-finance).

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<sup>34</sup> The Italian SAI also selected projects, but it was too early to analyse the projects regarding the audit questions.

**Table 6: Overview of assessed projects**

	<b>Number of audited projects</b>	<b>Projects aimed at</b>	<b>Total costs each project (range in TEUR)*</b>
<b>Denmark</b>	6	<ul style="list-style-type: none"> <li>• Growth enterprises, manufacturing, industries, etc.</li> <li>• Strengthen management competency</li> <li>• Improving employment for people on the periphery of the labour market</li> </ul>	3,372 – 6,489
<b>Finland</b>	7	<ul style="list-style-type: none"> <li>• Employment projects</li> <li>• Better equipped labour market, improving capacity, training practice, etc.</li> <li>• Information services for immigrants</li> </ul>	50 – 1,150
<b>Germany</b>	6	<ul style="list-style-type: none"> <li>• Supporting costly technological development work with a view to setting up an enterprise, supporting innovative strategies enabling SMEs to recruit skilled staff and new target groups</li> <li>• Reducing long-term unemployment, training low income earners</li> <li>• Reconciliation of family and working life, certifying mentors family education</li> </ul>	366 – 12,561
<b>Latvia</b>	2	<ul style="list-style-type: none"> <li>• Increasing the performance quality and enhancing the capacity ensuring support to the Agency of the European Quality Assurance Register for Higher Education (EQAR)</li> <li>• Promoting the involvement of non-registered youth unemployed in education and training</li> </ul>	1,275 – 7,650
<b>Malta</b>	6	<ul style="list-style-type: none"> <li>• Development of knowledge, skills and competences</li> <li>• Training/assistance youths to avoid social exclusion and long-term unemployment</li> <li>• Supporting quality tertiary education, providing recently graduated doctoral students with opportunity to propose research projects with higher education institutions in Europe</li> </ul>	296 – 5,995
<b>The Netherlands</b>	12	<ul style="list-style-type: none"> <li>• Ensure the cooperation of educational institutes and companies, supporting transformation to a multifunctional working-and-living district, etc. (ERDF)</li> <li>• Getting participants fit for work, educate and help them to find jobs unemployed people</li> <li>• Providing subsidy for advice for sustainable employability</li> </ul>	1,333 – 27,616
<b>Poland</b>	11	<ul style="list-style-type: none"> <li>• Activation of several target groups, including job placement, career counselling, internships, training, intervention works and grants for starting a business</li> </ul>	305 - 1,942
<b>Portugal</b>	20	<ul style="list-style-type: none"> <li>• Youth unemployment initiatives</li> <li>• Training for long term unemployed</li> <li>• Development of vocational courses, learning courses</li> <li>• Social action plans developed by solidarity institutions</li> <li>• Training courses for young people, professional courses</li> </ul>	68 – 62,675
<b>Total</b>	<b>70</b>		

\*Total costs have a wide range due to the fact that (the size of) the projects may vary, e.g. because projects that are conducted by intermediate bodies were considered as one (large amounts), or projects that deal with a limited number of participants were selected (small amounts).

The projects assessed aimed at a wide range of activities, but all of them dealt to some extent with the mismatch between supply and demand on the labour market. In most cases focus was placed on the supply side (target groups etc.), and sometimes on the demand side (creating jobs by increasing activities of companies). The total costs involved ranged from several thousands of euros to more than 60 million euros.

This chapter provides an insight into how these projects may contribute to the achievement of the Europe 2020 Headline Targets and into the potential effectiveness of the Funds.

Section 1 analyses the selection of projects by the MA. During that process, the starting conditions are set that may directly influence the goal achievement of projects. Then, in section 2, we investigate to what extent the MAs measure the results of the projects. The initial results of the projects are described in section 3.

## **1. Selection of projects**

In this section, we analyse whether the way in which the projects have been selected ensures their contribution to the intended results of the OP and to the Europe 2020 Headline Targets. We discuss four questions:

- Has the MA defined clear, objective and verifiable selection and award criteria (in the call for proposals) that are linked to the intended results of the OP and the Europe 2020 Headline Targets?
- Has the beneficiary explained how the project will reach its goals, contribute to the intended results of the OP, and contribute to the Europe 2020 Headline Targets? And has the project proposal met the selection and award criteria?
- Has the MA reached a legally binding agreement with the beneficiary on the project-specific outputs and results expected and made financial support contingent upon the achievement of these outputs and results?
- Was the criterion of value for money evaluated in the selection process?

## Findings

### As to selection criteria defined by the managing authority

Table 7 provides findings regarding the question as to whether the MA has defined clear, objective and verifiable selection and award criteria (in the call for proposals) that are linked to the intended results of the OP and the Europe 2020 Headline Targets.

**Table 7: Selection criteria**

	Number of audited projects*	Clear criteria	Not clear criteria	Linked to OP EU2020	Partly linked to OP EU 2020	Not linked to OP EU 2020
<b>Denmark</b>	6	4 (67%)	2 (33%)		6 (100%)	
<b>Finland</b>	7	7 (100%)		7 (100%)		
<b>Germany</b>	6	6 (100%)		2 (33%)	4 (67%)	
<b>Latvia</b>	2	2 (100%)		2 (100%)		
<b>Malta</b>	6	6 (100%)		6 (100%)		
<b>Netherlands</b>	10	10 (100%)		3 (30%)	7 (70%)	
<b>Poland</b>	11	11 (100%)		11 (100%)		
<b>Portugal</b>	20	20 (100%)		14 (70%)		6 (30%)**
<b>Total</b>	<b>68</b>	<b>66 (97%)</b>	<b>2 (3%)</b>	<b>45 (66%)</b>	<b>17 (25%)</b>	<b>6 (9%)</b>

\*For 68 of the 70 projects these questions were answered.

\*\*The six projects were transferred from the previous programming period, so there is only an indirect link to the EU 2020 Headline Targets.

SAls stated that in the vast majority of the projects analysed (97 per cent) the MA or Intermediate Body defined clear selection and award criteria, such as specific support and quality criteria (Latvia), potential of the project to contribute to the result (Malta), and criteria on correct target group (the Netherlands). Sometimes the MA has involved other parties in the selection procedure. In Poland, the MA defined the criteria in cooperation with Regional Labour Offices (Intermediate Bodies). In ERDF projects in the Netherlands the

#### **Good practices:**

##### **Portugal**

*The disclosure, concurrently with the competition notice, of the methodological notes to support the analysis and selection of applications, referring to the setting of limits on the scales and the scoring of the selection criteria is a clear contribution to transparency.*

Intermediate Bodies and the MA have established a selection procedure, mainly based on external expert judgement.

Some SAIs regarded the criteria as unclear, e.g. because specific criteria used by the regions to judge projects vary in quality and level of detail, ranging from specific criteria with a point scoring system, to general principles for allocation (Denmark).

The participating SAIs found that in 91 per cent (66 per cent + 25 per cent) of the analysed projects the MA has (partly) linked the criteria to the intended results of the OP and the Europe 2020 Headline Targets. Some of the criteria are partly linked, for instance because some criteria are linked to the OP and Headline Targets, whereas some are not (Denmark). Sometimes award criteria are very open, such as ‘whether proposed activity is in line with active aging’ (the Netherlands) or not very closely linked, like ‘the access to life-long learning shall be broadened’ (Germany).

In some cases, there was only an indirect link, e.g. because projects were transferred from the previous program (Portugal).

As to project proposal by the beneficiary: meeting selection criteria and intervention logic

SAIs reported that every project proposal that was audited met the selection and award criteria, as is shown in Table 8.

**Table 8: Meeting selection criteria**

	Number of audited projects	Met the criteria	Did not meet the criteria
<b>Finland</b>	7	7 (100%)	
<b>Germany</b>	6	6 (100%)	
<b>Latvia</b>	2	2 (100%)	
<b>Malta</b>	6	6 (100%)	
<b>Netherlands</b>	9	9 (100%)	
<b>Poland</b>	11	11 (100%)	
<b>Portugal</b>	20	20 (100%)	
<b>Total</b>	<b>61</b>	<b>61 (100%)</b>	

For 61 of the 70 projects those questions were answered. Denmark (6 projects) did not audit this topic.

The (potential) effectiveness of public money spent should be an essential selection criterion. Therefore, the participating SAIs also analysed the so called 'intervention logic': Has the beneficiary explained how he or she will reach the goals of the project, and whether these goals contribute to the intended results of the OP and the Europe 2020 Headline Targets?

**Table 9: Explanation of intervention logic**

	<b>Number of audited Projects*</b>	<b>Adequate explanation</b>	<b>(Some) explanation available</b>	<b>No explanation</b>
<b>Denmark</b>	6	6 (100%)		
<b>Finland</b>	7		7 (100%)	
<b>Germany</b>	6		6 (100%)	
<b>Latvia</b>	2		2 (100%)	
<b>Malta</b>	6	5 (83%)	1 (17%)	
<b>Netherlands</b>	9	2 (22%)	7 (78%)	
<b>Poland</b>	11	11 (100%)		
<b>Portugal</b>	20	14 (70%)		6 (30%)**
<b>Total</b>	<b>67</b>	<b>38 (57%)</b>	<b>23 (34%)</b>	<b>6 (9%)</b>

\*For 67 of the 70 projects these questions were answered.  
 \*\*The six projects were transferred from the previous programming period, so the explanation of the intervention logic could not have been accomplished in Europe 2020 terms.

This table shows that in more than half of the audited projects (57 per cent) the beneficiary explained adequately how goals will be reached and whether these goals contributed to the intended results and Headline Targets. There is (some) explanation available in one third of the audited projects (34 per cent), which means that the auditor sees (much) room for improving explanations. For instance, in Finland

**Good practices:  
The Netherlands**

*In the Netherlands, the locally based ERDF selection process, in which not only the Intermediate Body but also an Urban Advisory Group (external experts) judges the contribution of the projects to the goals of the OP, brings in local knowledge on local/regional plans and circumstances. This might influence the success of a project, such as the views of different stakeholders. Effects of the project are frequently being discussed, e.g. whether the local community (especially deprived groups) is involved sufficiently, and whether the project generates value for money.*

and Latvia<sup>35</sup> the beneficiaries gave no explanation on the contribution to the EU Headline Targets. In Portugal six projects provided no explanation, as they were transferred from the previous period.

As to relevance of achievement of outputs and results

Table 10 sums up the SAIs' findings regarding the question as to whether MAs reached a legally binding agreement with the beneficiary on the expected, project-specific outputs and results, and whether they made financial support contingent upon the achievement of these outputs and results.

**Good practices:**  
**Finland**

*The current system in Finland, where ESF funding is coordinated in four Intermediate Bodies, has provided a more focused regional perspective when making calls for proposals and decisions about projects.*

**Table 10: Relevance of achievement of outputs and results**

	Number of audited projects*	Legally binding agreement	To some extent legally binding agreement	No legally binding agreement	Contingent	To some extent contingent	Not contingent
<b>Denmark</b>	6	6 (100%)			6 (100%)		
<b>Finland</b>	7	7 (100%)				7 (100%)	
<b>Germany</b>	6	1 (17%)	4 (67%)	1 (17%)	3 (50%)	2 (33%)	1 (17%)
<b>Latvia</b>	2	2 (100%)					2 (100%)
<b>Netherlands</b>	10	4 (40%)	6 (60%)		1 (10%)	7 (70%)	2 (20%)
<b>Poland</b>	11	11 (100%)			11 (100%)		
<b>Portugal</b>	20	14 (70%)		6 (30%)	14 (70%)		6 (30%)**
<b>Total</b>	<b>62</b>	<b>45 (73%)</b>	<b>10 (16%)</b>	<b>7 (11%)</b>	<b>35 (56%)</b>	<b>16 (26%)</b>	<b>11 (18%)</b>

\*For 62 of the 70 projects these questions were answered. Grant letters were still to be issued in Malta, so the question could not be addressed. In Latvia, advanced payments and first requests of payment have been done, output and result indicators have not yet been planned.

\*\*The six projects were transferred from the previous programming period.

<sup>35</sup> According to information provided by the Intermediate Body, beneficiaries assess how projects contribute to SOs. The Intermediate Body then assesses how SO investments contribute towards the Europe 2020 Headline Targets.

In the majority of the assessed projects (73 per cent) a legally binding agreement on project-specific outputs and results was applied, such as the number of expected participants of courses (Germany), product and result indicators for activating young unemployed persons that are planned in a co-financing application (Poland), participants between 30 and 54 years who are unemployed and in employment when leaving the measure (Finland), and a premise in the contract about more international high growth enterprises that the application is to be upheld (Denmark).

In a number of the assessed projects (16 per cent) there is to some extent a legally binding agreement. For instance the grant award notice solely referred to the obligatory survey of the output and result indicators (Germany).

SAIs reported that in more than half of the assessed projects (56 per cent) financial support was contingent upon the achievement of the outputs and results. In 26 per cent of the assessed projects this support was to some extent contingent upon these achievements, just because a general level was described (Finland) or achievements were only contingent on output, not on results (the Netherlands).

#### As to cost efficiency as criterion

Table 11 sums up the SAIs findings on the question as to whether the criterion of value for money / cost-efficiency (explicitly) played a role in the selection process.

**Table 11: Cost efficiency**

	<b>Number of audited projects</b>	<b>Cost efficiency</b>	<b>To some extent cost efficiency</b>	<b>No cost efficiency</b>
<b>Denmark</b>	6	2 (33%)	4 (67%)	
<b>Finland</b>	7			7 (100%)
<b>Germany</b>	6		6 (100%)	
<b>Latvia</b>	2	2 (100%)		
<b>Malta</b>	6		6 (100%)	
<b>Netherlands</b>	10	1 (10%)	4 (40%)	5 (50%)
<b>Poland</b>	11	11 (100%)		
<b>Portugal</b>	20	20 (100%)		
<b>Total</b>	<b>68</b>	<b>36 (53%)</b>	<b>20 (29%)</b>	<b>12 (18%)</b>

For 68 of the 70 projects these questions were answered.

In half of the projects assessed (53 per cent) cost efficiency was reported as an essential criterion. In Portugal, the operations were approved based on unit costs, whenever established in the applicable regulations, and the cost/benefit ratio was not evaluated individually for these operations. In Poland, the MA calculated an average cost of support for one participant. In order to achieve final values of their indicators, the Intermediate Bodies have to support a certain number of participants in their projects. For project implementation and goal achievement Latvia used a criterion that total costs, cost items and planned actions have to comply with the provisions of relevant regulations and are related to project implementation. In Denmark a criterion that projects must be resource-effective and of high quality was used.

In a substantial part of the projects assessed (29 per cent), to some extent, cost efficiency was reported. E.g. not as a guiding principle, but cost of the projects are evaluated by regions based on their experience (Denmark), a question about whether the costs of direct activities are reasonable (the Netherlands), or an application that included a detailed breakdown of cost components allowed for an understanding of the envisaged disbursement (Malta).

## Conclusions

In the selection process of the projects assessed the starting conditions are set, which may severely influence the goal achievement. For almost every assessed project the MA defined clear selection and award criteria. In most projects (89 per cent) the MA has (partly) linked these criteria to the intended results of the OP and the Europe 2020 Headline Targets. The beneficiaries responsible for preparing the project met these criteria. In 91 per cent of the cases they also explained adequately or partially the way in which the goals would be reached.

In the majority of the assessed projects, a legally binding agreement on project-specific outputs and results was applied. Also in many assessed projects financial support was (to some extent) contingent upon the achievement of the outputs and results. Both measures stimulate goal reaching. In many cases (82 per cent) cost efficiency (to some extent) was reported as a criterion that was essential in the selection process.

Nevertheless, we see room for improvement in the selection process of (part of) the projects.

## Recommendations

We recommend that **MA**s ensure that

- a. in all cases there are clear selection and award criteria linked to the intended results of the OP and the Europe 2020 Headline Targets;
- b. in all approved projects there is a clear explanation of the way in which the goals of the project will be reached;
- c. the grantor establishes a conclusive relationship of the project selection with the OP and Europe 2020 Headline Targets.

## 2. Measuring results

The previous section dealt with the starting conditions that may increase the contribution of projects to the intended results of the OP and to the Europe 2020 Headline Targets. In order to measure the contribution, we need information about it. Therefore we pay attention to the way in which MAs measure the results of the projects and the extent to which goals have been reached.

Whether the data collected is useful depends, amongst others, on its reliability and validity. However, in this audit, SAIs described data collection, but did not review the quality of the data.

### Findings

MAs of the assessed projects have taken measures to collect data on results (output and/or result indicators) of the project and the extent to which goals have been reached.

The way in which data is collected varies by Member State, though almost everywhere a data collection system has been implemented (also see chapter III.4.).

In several Member States, the beneficiaries report their results in (automated) registration tools (Denmark, Finland and Malta). In Germany, the grantees of all projects have the duty to prove the effective and efficient use of the public funds and, accordingly, the project results.

#### **Good practices:**

##### **Several Member States**

*For some tools a form of quality assurance is being used. In Finland, the requirements for registered data are very high; some of the personal information can be even left out of the indicator information. Much of the result information is also collected through special reviews. Measurement of results in Malta is subsequently verified by the MA through various means, with progress being established against specified output and result indicators. In Poland the MA holds regular meetings with the Intermediate Bodies (Regional Labour Offices), who report quarterly on the progress of the implementation of the indicators in the quarterly reports. During the meetings, the status of programme implementation is discussed in the area of responsibility of the relevant Intermediate Bodies.*

*In the Netherlands, a statistical system is being used in the ESF OP. The monitoring system is managed by Statistics Netherlands. Data from various databases are being combined to define the target group a job seeker belongs to, and his status on the labour market at various moments in time. This makes the data more reliable than in the situation data is retrieved from questionnaires. It also keeps administrative burden for beneficiaries low, and there is no burden on participants.*

*In Portugal, a simulator is published and annexed to the competition notice. It contains the formula used to calculate the financial reductions in case of deviations from the contractual targets. This practice contributes to transparency and the beneficiaries' awareness of their challenges.*

## Conclusions

A data collection system is in place in all Member States, in varying ways.

## Recommendations

We recommend that **MA**s ensure that the grantor insists on the indicators set and not adapt the measurement of outputs and results to information provided by the grantee. Transparent and unambiguous result indicators and procedures for measuring them are a key requirement for adequate measurement of results.

### 3. Initial results achieved by the projects

The first results of the assessed projects were described in the SAIs' country reports. Most projects were still ongoing during the audit.

#### Findings

##### As to first results

SAIs reported that in the projects assessed budgets were spent on a wide range of activities that should reduce a mismatch in the labour market. The money was not spent on directly creating jobs and only in some cases in an indirect way (e.g. by increasing activities of companies).

In many reports there is information about output, such as numbers of participants in activation programmes, trainings and courses, numbers of vouchers issued, and numbers of companies. Also information on results were reported: number of participants having qualified for a training, number of low-income workers that have redeemed a voucher, number of participants in paid jobs, number of long-term unemployed integrated long-term in the labour market, and number of jobs created by starting a business.

For some projects the participating SAIs found it not possible to report results yet, for instance because the project was not fully implemented yet or just at the initial stage, or because there was no monitoring system. Furthermore, the information about the results left (yet) no space for certain conclusions on the contributions to the target values 2023 of the OP result indicators and/or the Europe 2020 Strategy Headline Targets. In some cases, the funding guidelines have been modified retroactively in order to define the funding conditions more

flexibly and/or to increase the demand. The grantor did not specify the impact of the target group extension on the reference to the intended results of the OP and the Europe 2020 targets.

As to effectiveness

Has the intervention logic of a project been tested and the effectiveness been proven? Or, to put it differently: To what extent are the results due to the projects (net effectiveness)? So far, SAIs have not found a definite answer to that question, as it requires a so-called (quasi-)experimental evaluation design, based on the principle of a control and treatment group. Such an evaluation is not always feasible, for instance because of an insufficient sample size or because it would be considered inappropriate to deny treatment to a vulnerable group for purposes of generating a control group.

**Good practices:**  
**Poland**

*In order to solve problems with a decreasing or less than expected number of persons applying for non-refundable grants, the MA involved in Poland undertook corrective actions, such as increasing the information and promotion activities on the website of the beneficiary, individual encouragement of the unemployed persons by advisors to participate in the project, advertising on a local TV station, and accelerating the processing of applications of young people applying for a grant in order to qualify them for the project.*

In order to get indications on the effectiveness of the funds, the evaluation can be based on non-experimental design. The Polish SAI reported that interviews with 357 participants showed that 71 per cent of them were still active in the labour market almost one year after leaving the project as a result of their participation in the projects assessed, either running their own business or actively employed. In general, the impact of the project to change the employment status of the participant was regarded as higher by individuals who were currently employed; the impact of the project on the change of employment status was assessed as lower by persons still registered as unemployed. People employed on a contract of employment and people running their own business gave the best rating.

In the Netherlands a qualitative, theory-based impact evaluation has been performed. A number of assumptions on the effectiveness of reintegration policy were tested. This showed that the regions using a mix of instruments in their trajectories are more effective than the regions using just one instrument.

Beneficiaries said that the programme enabled them to provide more support to target groups that were at a distance from the labour market, in addition to other existing policies. Some beneficiaries also mentioned that they could offer higher quality employment services due to the fact that support could be intensified or organised on a smaller scale (more tailor-made).

#### As to cost efficiency and value for money

There was no information reported on whether the criteria for value for money and cost efficiency had been implemented in the assessed projects. Some SAIs noted circumstances that would not enhance the efficiency of policy. For instance, the imbalance between the funding and the costs of complying with rather complex accounting rules that was perceived (e.g. providing detailed evidence for hours that staff was hired instead of using a standard amount). Especially when budgets have been allocated among many beneficiaries who have to comply with accounting rules that many respondents experience as complex, costs of compliance may be too high. Bureaucracy seems still to be at a high level from the point of view of project beneficiaries. It can be very difficult to estimate whether the project application is likely to be approved and it requires a lot of effort from an organisation to prepare the application.

A special kind of value for money is European added value: resulting from an EU intervention which is additional to the value that would have been otherwise created by Member State action alone. To what extent would a project have existed without European money? The information only showed some slight evidence, such as in a qualitative evaluation of the active aging projects in the Netherlands. It was reported that without support, 90 per cent of the projects either would not have been possible or would have been possible only to a lesser extent. However, this question cannot be fully addressed by means of this type of research, as it was based on a limited number of beneficiaries who had been interviewed by telephone. Further discussion on the type of information that is necessary for answering this question is needed.

#### **Conclusions**

At this point of time, it is difficult to draw conclusions on first results, effectiveness and efficiency, because many projects are still ongoing. It is not yet

possible to conclude whether the reported activities will contribute to the Europe 2020 Strategy and provide European added value.

## **Recommendations**

We recommend that **MA**s

- a. make sure that the OP and Europe 2020 Headline Targets are still in focus when changing the selection and award criteria retroactively;
- b. operationalise the processes of grant reduction in case of non-compliance with the goals, including developing applicable concepts (e.g. calculation formulas, rounding rules, etc.);
- c. when evaluating results
  - i. establish the relationship between project results and the targets of the OP and the Europe 2020 Headline Targets;  
a target is not accomplished only because the allocated resources have been in accordance with the purpose;
  - ii. determine the cost efficiency of projects by assessing subsidies received and costs of compliance; for instance, identify if awarding of small grants to many beneficiaries should be considered, or whether this causes administrative burden which can be avoided;
  - iii. assess whether the EU intervention provides added value to Member State action.

We recommend that the **Commission** foster the effectiveness and efficiency of EU-granted projects, for instance by reducing unnecessary bureaucratic burden, and elaborating and operationalising the concept of European added value.

## **V. General conclusion**

Overall, the Working Group concludes that OPs provide the necessary framework for contributing to the achievement of the Europe 2020 Headline Targets in the areas of employment and education. Following a strong intervention logic in most cases, their design fosters the effective and efficient use of Structural Funds – notwithstanding minor weaknesses to be addressed. Compared to former programming periods we have noted an increased result orientation, but also an increased complexity of requirements such as reporting obligations.

Given the uneven progress of the projects reviewed, the SAIs consider it too early to answer the question as to whether the implementation of OPs effectively contributes to the Europe 2020 Strategy as expected. They draw attention to some weaknesses detected in the ongoing process that might be relevant for the success of the implementation. In their opinion, a major focus should be placed on creating a sound basis for monitoring and evaluating results.

The SAIs call on the Commission and the MAs to address the weaknesses they pointed out during the current programming period where possible. In addition, such weaknesses need to be avoided during any subsequent programming period. Furthermore, the SAIs draw the Member States' attention to cases of good practice that are meant to enable them to learn from each other.

## **Annex**

### List of abbreviations

AA	Audit Authority
CA	Certifying Authority
CF	Cohesion Fund
CPR	Common Provisions Regulation
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ERDF	European Regional Development Fund
EU	European Union
IB	Intermediate Body
IP	Investment Priority
ISCED	International Standard Classification of Education
MA	Managing Authority
OP	Operational Programme
SAI	Supreme Audit Institution
TEUR	Thousand Euros
TO	Thematic Objective
YEI	Youth Employment Initiative