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**NOTE**

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from : The Italian Delegation

to : COUNCIL (Employment, Social Policy, Health and Consumer Affairs)

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**Subject : European Social Fund: Simplification-oriented ideas and future prospects**  
- Information from the Italian Delegation  
**(Any other business item)**

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Delegations will find attached a note from the Italian Delegation.

## **European Social Fund**

### **Simplification-oriented ideas and future prospects**

The European Social Fund (ESF) represents a crucial tool for employment creation and social cohesion. The ESF is a pillar of the Employment Strategy as a result of the strong financial support that it offers to national policies.

In the past ESF has contributed significantly to the achievements of targets of the Lisbon Strategy. In many countries without the financial resources provided by the ESF some of the achievements in terms of employment levels, territorial cohesion and social inclusion would not have been possible.

The European Commission has in recent years improved the functioning of the ESF, increasing the effectiveness of the financial resources. Member States have also improved their expenditure mechanism, making more efficient use of these resources.

However, the economic crisis has highlighted some of the problems that characterized ESF mechanisms, reducing the positive impact of these resources on the policies to tackle the jobs crisis, limiting the use of a virtuous mix of active and passive policies and hampering their full utilisation in training policies.

We believe that Member States and the Commission should now cooperate to promote some changes in the functioning of ESF which could result in a revision of the 2007-2013 programming period rules. At the same time, a more in-depth analysis of the future role of the ESF in the 2020 Strategy should be launched.

Member States and the Commission should call on the European Parliament to support these changes aimed at tackling the current employment crisis and reducing the rise in unemployment in Europe, without undermining the principles of transparency and responsibility in the accounting procedures.

## **2007-2013 Programming Period**

In the current crisis, the ESF finds it hard to make the most of its effectiveness given that the managerial and reporting aspects continue to prevail in the use of financial resources. Therefore, we need to look into all the possibilities for simplifying the management and making ESF use as flexible as possible within the legal framework currently in force.

In fact, it seems necessary to create a better balance between legitimacy and correctness in the use of the financial resources and the urgency in implementing the measures; all the same, it is highly desirable to move from the formalistic correctness of the interventions and place more emphasis on their usefulness and compliance with the anticipated objectives.

Maintaining the regulations unchanged, we should focus our attention on the aspects listed below.

- a. as far as contents are concerned, sharing an extensive interpretation of the scope of the ESF, for instance:
  - i. the possibility of financing income -support measures in correlation with active policies should turn into a generalized certainty and should consider the features of the active policies and training policies;
  - ii. the social inclusion dimension should be dealt with in a more comprehensive strategy considering social stability as an essential factor also in terms of economic recovery and competitiveness;
- b. in this framework and looking at the tools, due consideration should be given to possible modifications of the Operational Programmes, with a resulting quick review of the corresponding decisions by the Commission;
- c. an easier and more flexible approach of the EC units in their relationships with Member States is recommended, with particular regard to:
  - i. the relationship between the technical offices that handle the relations with the countries (the so-called geographical units), and the political level in the implementation of substantive decisions taken jointly by Commission and Member States;
  - ii. the complexity of the management procedures and the need to comply with the huge variety of existing constraints would require a more proactive and constructive attitude on the part of the European Commission, particularly at times of greater economic and social crisis (implementation of the automatic decommitment rule, management of the control results, etc.);

- iii. a better compliance with the terms and procedures under the current regulations by the Commission services (i.e., the results of the controls made by the Commission are reported with significant delays and “informal” suspensions of payments are often adopted);
- d. as far as management is concerned, the previously approved regulatory simplification should be enforced. The first step was the introduction at a legal level of the possibility of simplifying the reporting requirements through standard costs or lump-sum payments. However, the real simplification needs to take place at the audit level: there is widespread concern that both the European and the national auditors will be inclined to apply the traditional procedures (more analytical, focusing on formal compliance with the procedures) even when dealing with standard costs and lump sums. Therefore, it seems necessary to work on the audit systems, simplifying the activities and, above all, differentiating them, given the concurrence of a number of inner and outer Authorities entrusted with this task.

### **Future prospects post 2013**

Given the current experience, it seems necessary to work on the following themes for the next programming period:

- widening of the scope of ESF to include income protection instruments;
- elimination of the thematic differentiations between regions in the context of the regional competitiveness and employment objectives and regions in the context of the convergence objective;
- a general review of the audit architecture, doing away with some of the currently compulsory authorities (3) for each Operational Programme;
- the possibility of moving from the current process-based logic to a results-based approach;
- identification of a “chain” of controls structured in principle as follows: primary and secondary controls at the level of the structure in charge of the Operational Programme, general supervision – which entails the assessment of the adequacy of the system adopted by Member States - at the level of the European Commission, and on site audits only in cases of reasonable doubt.